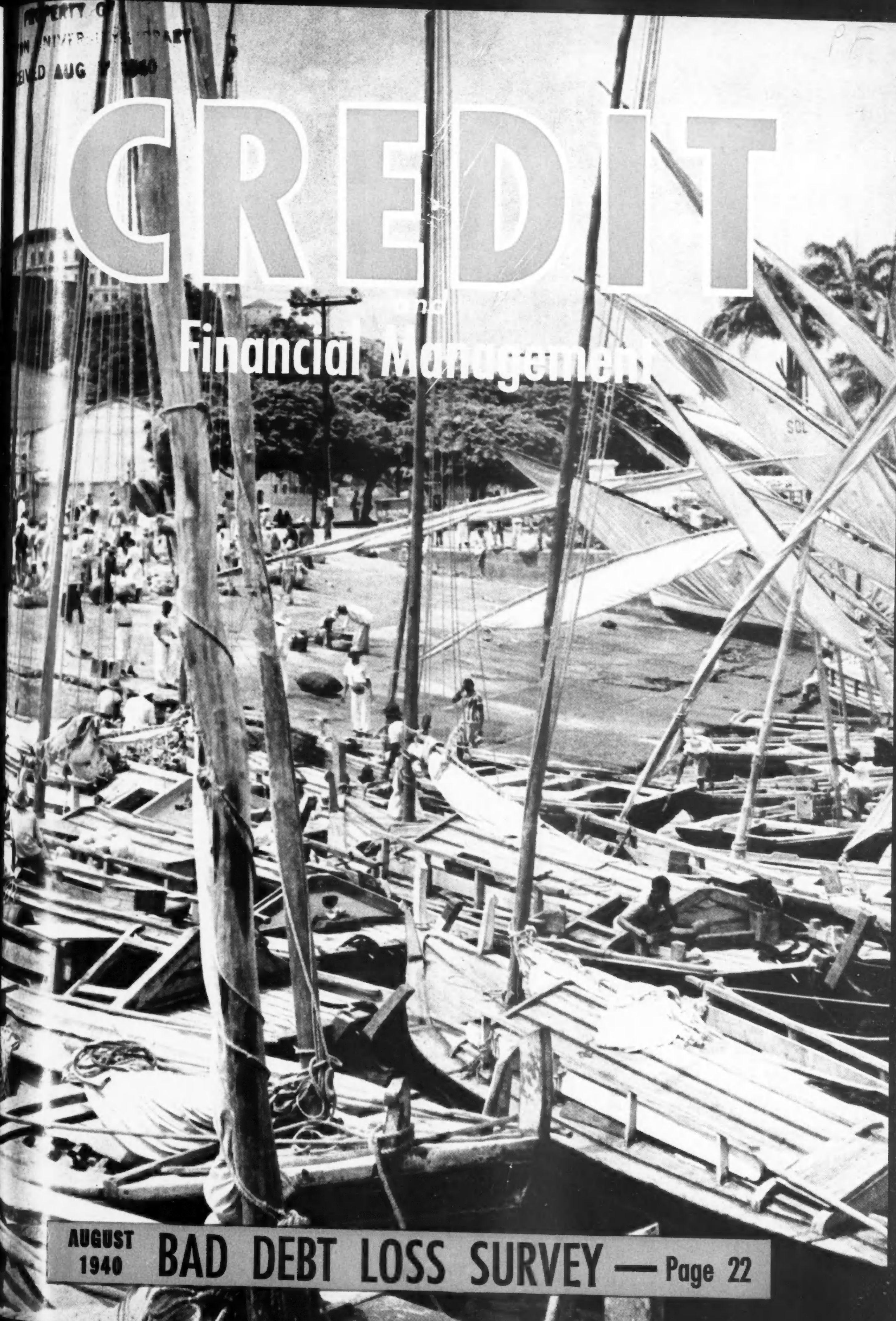
# CREDIT
and
# Financial Management




**AUGUST 1940** **BAD DEBT LOSS SURVEY — Page 22**

# IDLE HANDS *FILL* EMPTY POCKETS *when* FIRE HALTS PRODUCTION . .

## *but U & O Saves Earnings—Safeguards Loans*

THRIVING in a prosperous plant are *invisible* values created as raw products become finished goods . . . earnings, profits, commissions. These values are needed to pay debts and charges, to meet payrolls and to liquidate loans. Manufacturers who lose earnings choked off by fire need not be without expected income, even though belts are stopped and busy hands made idle. Use & Occupancy insurance, a valuable supplementary coverage, will reimburse for the loss of *invisible* values, just as though mishap had not come. This useful protection can be made to fit the individual requirements of all types of establishments.

If you are interested in the financial health of concerns to which you have advanced funds, U & O will be, to you, a defender of loan security. The HOME agent near you will gladly discuss this supplementary form and show how it applies to the needs of your borrowers. He will also explain other forms written by THE HOME to protect *invisible* values.

**THE HOME INSURANCE COMPANY**
**NEW YORK**

FIRE—AUTOMOBILE—MARINE and ALLIED LINES OF INSURANCE

# CREDIT
and
# Financial Management

## Contents for August, 1940



*Cover Photo, Courtesy of Brazilian Information Bureau, New York*


**Official Publication of the National Association of Credit Men**

**One Park Avenue, New York, N. Y.** **1309 Noble Street, Philadelphia, Pa.**

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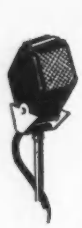
# Information, Please!



Since radio quiz programs are popular today, here are two questions that could well give some reader of these lines the opportunity to "stump the experts" and earn the consequent reward.

Q.—Is any department of the federal government today operating on a budget smaller than a decade ago?

Q.—If yes, can you name the department?

The answer to the first question, surprisingly enough: "Yes." And to the second: "The U. S. Department of Commerce."

This department of the United States government, established for the promotion and guidance of business, has not shared in the huge increased appropriations of the past several years. Business interests of the country, accordingly, can point with pride to the fact that the rise in our government's debt was not caused by excessive spending in the department that was established to foster the advance of American business.

Some may feel the Department of Commerce could do a better job than it has in the past but all fair-minded men must agree that here, at least, is a department that has not participated in increasing governmental costs.

During a period that presented the greatest problems American business has ever faced, the Department that can aid business men in the solution of these problems has had to tackle the huge task with less personnel and finances than it had during the years of prosperity.

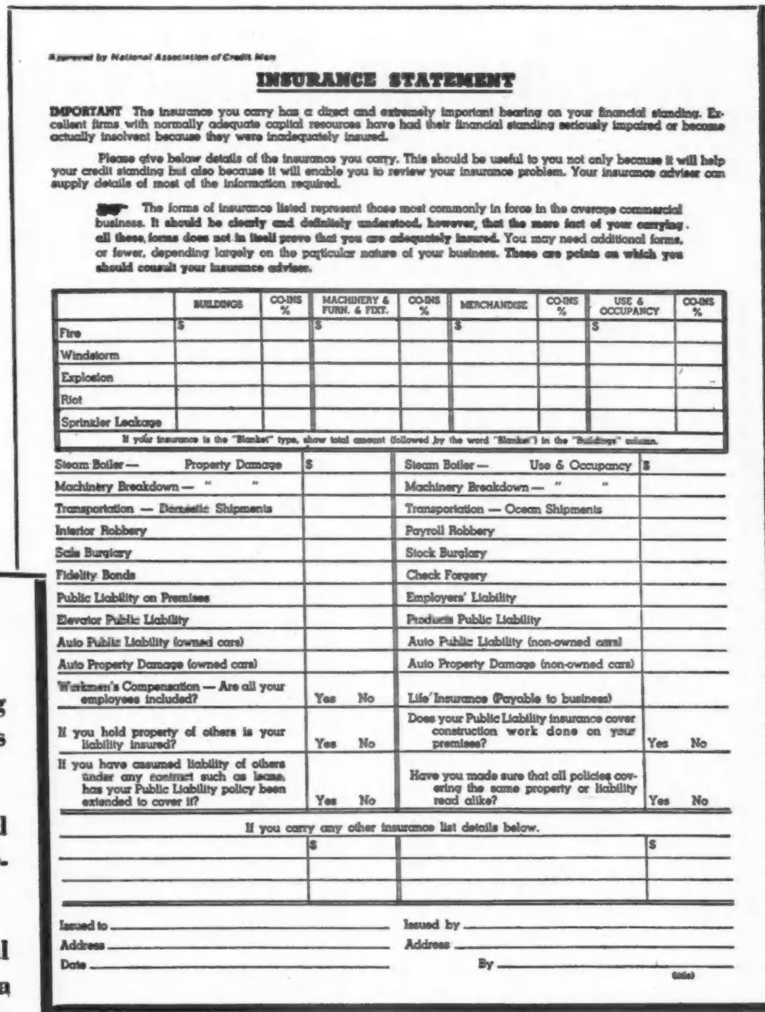
It is a credit to business in general that it has not constantly high-pressured for governmental funds to support a department from which it can have much to gain. Business men who have fought for reasonable budgets certainly can say they have been consistent, if we are to judge by how they have kept this part of their house in order.

Henry H. Heimann
Executive Manager, N.A.C.M.

# INSURANCE

## *A Bulwark of Credit*

• • This page, which is donated by one of its members, is used monthly by the Insurance Group of the National Association of Credit Men to foster a better understanding of insurance as an indirect guarantor of credit.



*Approved by National Association of Credit Men*

**INSURANCE STATEMENT**

**IMPORTANT** The insurance you carry has a direct and extremely important bearing on your financial standing. Excellent firms with normally adequate capital resources have had their financial standing seriously impaired or become actually insolvent because they were inadequately insured.

Please give below details of the insurance you carry. This should be useful to you not only because it will help your credit standing but also because it will enable you to review your insurance problem. Your insurance adviser can supply details of most of the information required.

The forms of insurance listed represent those most commonly in force in the average commercial business. It should be clearly and definitely understood, however, that the mere fact of your carrying all these forms does not in itself prove that you are adequately insured. You may need additional forms, or fewer, depending largely on the particular nature of your business. These are points on which you should consult your insurance adviser.

| | BUILDINGS | CO-INS % | MACHINERY & FURN. & FIXT. | CO-INS % | MERCHANDISE | CO-INS % | USE & OCCUPANCY | CO-INS % |
|---|---|---|---|---|---|---|---|---|
| Fire | $ | | $ | | $ | | $ | |
| Windstorm | | | | | | | | |
| Explosion | | | | | | | | |
| Riot | | | | | | | | |
| Sprinkler Leakage | | | | | | | | |

If your insurance is the "Blanket" type, show total amount (followed by the word "Blanket") in the "Buildings" column.

| | | | |
|---|---|---|---|
| Steam Boiler — Property Damage | $ | Steam Boiler — Use & Occupancy | $ |
| Machinery Breakdown — " " | | Machinery Breakdown — " " | |
| Transportation — Domestic Shipments | | Transportation — Ocean Shipments | |
| Interior Robbery | | Payroll Robbery | |
| Safe Burglary | | Stock Burglary | |
| Fidelity Bonds | | Check Forgery | |
| Public Liability on Premises | | Employers' Liability | |
| Elevator Public Liability | | Products Public Liability | |
| Auto Public Liability (owned cars) | | Auto Public Liability (non-owned cars) | |
| Auto Property Damage (owned cars) | | Auto Property Damage (non-owned cars) | |
| Workmen's Compensation — Are all your employees included? | Yes No | Life Insurance (Payable to business) | |
| If you hold property of others is your liability insured? | Yes No | Does your Public Liability insurance cover construction work done on your premises? | Yes No |
| If you have assumed liability of others under any contract such as lease, has your Public Liability policy been extended to cover it? | Yes No | Have you made sure that all policies covering the same property or liability read alike? | Yes No |

If you carry any other insurance list details below.

| | | | |
|---|---|---|---|
| | $ | | $ |
| | | | |
| | | | |

Issued to ______________ Issued by ______________

Address ______________ Address ______________

Date ______________ By ______________ (title)

**INSURANCE STATEMENT FORM**

**N.A.C.M. approved form. Procurable from the National Association of Credit Men, New York.**

### THE PROGRAM

**1. To encourage a wider understanding among credit executives of insurance as a protector of sound credit.**

**2. To keep credit executives informed of the wide variety of insurance coverages which are available.**

**3. To promote the use of the official N.A.C.M. insurance statement form as a supplement to the financial statement.**

## *Available Coverages*

***The following list is selective because of space limitations.***

Accounts Receivable
Aircraft
  Crash
  Fire
  Land Damage
  Mooring
  Theft
  Windstorm
  Aircraft & Motor Vehicle P.D.
Automobile
  Comprehensive
    Fire
    Theft
    Flood
    Public Liability
    Tornado
    Earthquake
    Explosion
    Riot
    Aircraft Property Damage
    Glass Breakage
  Collision
  Property Damage
    Non-Ownership
    Drive Other Cars
    Hired Cars
  Loss of Use
Bailees Customers Floater
Bridge Insurance
Builders Risk
Camera Floater
Consequential Damage
Contingent Liability—R.R. Sidetrack
  or Switch Lease
Demolition
Department Store Floater
Disability Insurance
  Individual
  Group
Dyers & Cleaners Floater
Earthquake
Electric Sign
Engagement Ring Floater
Equipment Floaters
Errors & Omissions
Exhibition Floater
Explosion
Extended Coverage
  Tornado
  Hail
  Riot
  Explosion
  Smoke Damage
  Aircraft & Motor Vehicle P.D.
Extra Expense
Fallen Building
Fire
Fine Arts Floater
Flood
Frost
Fur Floater
Furriers Customers
Garage Keepers Liability
Garment Contractors Floater
General Floater
Gold & Silverware Floater
Golf Floater
Gross Receipts Truckmen's Floater
Gun Floater
Hail Insurance
Horse & Wagon Floater
Installation Floater
Installment Sales Floater
Jewelers Block
Jewelry—Fur Floater
Laundry Floater
Leasehold
Life Insurance
  Individual
  Key Man (in a business)
  Group (including disability)
Live Stock Floater
Malicious Mischief—Vandalism
Manufacturers Output Floater
Marine
  Hull (various forms)
  Cargo (various forms)
Mortgage Interest
Morticians Equipment Floater
Motor Truck Cargo
Motor Truck Merchandise Floater
Motor Vehicle Property Damage
Musical Instrument Floater
Paraphernalia Floater
Parcel Post Floater
Patterns & Die Floater
Personal Effects Floater
Physicians & Surgeons Floater
Profits & Commissions
Public Liability
Radium Floater
Rain
Registered Mail
Rent—Rental Value
Riot & Civil Commotion
Safe Deposit Box
Salesmens Sample Floater
Scheduled Property Floater
Scientific Instrument Floater
Smoke Damage
Sprinkler Leakage
Sprinkler Leakage—Legal Liability
Stamp Collectors Floater
Stock Floaters
Stock—Reporting
Surety Bonds
  (numerous forms of bonds)
Theatrical Floater
Tornado
Tourist Baggage Floater
Transportation Floater
Trees, Shrubbery—Lawn Improvements
Trip Transit Floater
Tuition Fees
Unearned Premium
Use & Occupancy (various forms)
War Risk
Water Damage
Wedding Presents Floater
Windstorm

# Distribution Problems Affecting Credit

## Some New Situations "Bob-Up" to Fret "C" Men

By Howard S. Almy, Assistant Secretary, The Collyer Insulated Wire Co.
Pawtucket, R. I.

Oftentimes inquiry into the past throws a light upon the present. Therefore before touching upon prevailing distribution policies let us consider some of the more important economic developments that have transpired since the Civil War period. I have felt for some time after attending our annual Credit Congress that, if we are to have a clear understanding of and find an eventual solution to many of our credit and distribution problems, a review of the historical background would prove helpful.

Let us consider the period which followed the Civil War. Distribution and credit were vitally affected by poor transportation facilities. Distance to markets was a major problem. Long terms were the order of the day. In that era the credit grantor was required to perform the function of the commercial bank. We had no Federal Reserve System or National Banking Act. Even our national currency was a very uncertain entity. That period of commercial history was free from government regulations as well as the multiplicity of taxes with which business must reckon today.

### Consolidation Began in '90's

Then came the period of commercial and industrial development with the opening of new frontiers, the enactment of a bankruptcy system, at least for the requirements of those times, and a sound currency were the order of the day. The period from 1890 to 1910 shows the consolidation of business enterprises, the merger of many small units into various national systems and the formation of such large national corporations as the United States Steel Corporation. The so-called "Diamond Jim Brady" era was perhaps one of the most fascinating in the history of the development of American business. The part which our own National Association of Credit Men has played is well known to you. Following the enactment of revised and improved bankruptcy statutes came the anti-trust laws. However, the so-called "Golden Age" was a period when the majority of laws enacted by Congress were for the benefit of business and regardless of the legal composition of a particular kind of business, be it large or small, it was able to adjust itself within a comparatively short period of time to these new laws.

I wonder how many of the credit executives from both the Dominion of Canada and the United States have stopped to realize that during the past year we have been operating under a form of government which is considering the social and economic side of the individual first and business second. I am not criticising or defending this policy, but simply bring it to your attention because of its fundamental importance.

Credit men have been taught and might I go so far as to say disciplined that credit is based upon three fundamentals; namely, character, capacity and capital. From the late 90's to the time of the depression this yardstick of credit granting has tied in very nicely with the distribution of economic goods.

### New Situations to Be Faced

Have you stopped to realize what problems confront a manufacturer or distributor today in the distribution of his product? Since 1932 the Robinson-Patman Act has been enacted; a law which will certainly affect distribution and credit policies as time goes on. The Tydings-Miller Act, the unfair practice acts and fair trade acts of the several states are in effect; and on top of all this we have the various state income taxes and a variety of sales taxes and last but by no means least the foreign corporation laws and taxes regulating the corporation's activities within a certain state. In my opinion many of the state foreign corporation laws are circumventing the interstate commerce laws.

Notwithstanding all of these man-made laws, we have the problem of unrestrained competition and inventory speculation. In all lines of industry manufacturers have courageously faced this situation by producing new products and improving old ones, all of which has been brought out after careful study and expensive research. Yet when it comes to the distribution credit is extended beyond the proper bounds and price structures fail.

History repeated itself in 1939 with inventory speculation soaring to unhealthy levels. I predict that these conditions will plague our distribution system and adversely affect our credit policies just as long as many of these new laws and particularly those of the Federal Trade Commission make it impossible for each industry to solve these problems.

Our legislators and courts many years ago recognized the necessity for the various branches of business to collect, interchange and disseminate credit information. Eventually various trades and industries will be compelled to approach many of these problems in the simple and legal manner. Every industry has one or two chiselers

in its group and invariably it will be found that a loose credit policy goes along with an unsound and even reckless distribution policy.

## Laws That Affect Trade

I now want to discuss with you some of the laws which many of us have not realized are indirectly affecting our distribution policies and consequently our credit procedure and technique.

Take a line of business such as machinery and supplies. It is a foregone conclusion that at least a good percentage of your companies must of necessity maintain merchandise at strategic points throughout the country. Immediately you are confronted with the foreign corporation tax problem as well as the various state and municipal property and sales taxes. What has this done to distribution? It has simply meant this; that instead of selling a great many customers in a given locality you are now confining your business to fewer outlets, probably selling your product outright in order that you may continue doing business in interstate commerce.

As credit executives we have been taught to diversify our risks; in other words it is much better to extend credit in the total amount of $10,000 to ten accounts rather than to extend the same amount to only one customer. This means that today greater care in the selection of the credit risk must be exercised. It means that you will be compelled of necessity to extend a much larger amount of credit to the individual account.

A few years ago if you purchased your automobile on time payments, you never mentioned it across the bridge table and you didn't tell your best friend. There was a stigma to it, but not so today. The automobile industry has taught America to buy today and pay tomorrow. Installment selling knows no bounds; electic refrigerators, furniture and, yes, machinery is now being sold in this manner. I have observed a tendency on the part of distributors in many lines of business to set up a modified installment purchasing plan when dealing with a manufacturer. It is well to remember that we are living in an era when a very sizable portion of the business population is endeavoring to do business on the other fellow's money and to go beyond the bounds of good commercial credit granting.

## Are Assets Pledged?

What has this new trend in distribution brought about? It has shown business men how to borrow on an asset which up to a very few years ago was never pledged or hypothecated. I speak now of the pledging of accounts receivable. In less than a decade the banking fraternity, who used to consider such a practice the last step before bankruptcy on the part of a customer, is now tapping this reserve to its very limit as security for collateral loans. A few days ago our local newspaper carried a quarter page advertisement of one of our largest banking institutions in New England. This advertisement explained the ABC's of borrowing on your accounts receivable. I number among my acquaintances a bank official whose institution several years ago began to experiment with this type of loan. Today it is one of the most profitable ends of the bank's business. There is one redeeming feature of the banks getting into this field; they have brought the cost down materially and many of the abuses which the smaller or individual finance companies were guilty of have been checked.

What effect has this on your credit policy? Simply this; one of the best assets upon which you have based the line of credit in the past has been tapped and the most liquid portion of it pledged and, in the event of liquidation, is not available for the retirement of unsecured creditor claims. Our Association has been giving a great deal of attention to this development. Sooner or later unsecured creditors must have some way of knowing when receivables are hypothecated. We have no right to say to our credit risk that he cannot follow this practice if he wishes, but I say we have a perfect right to know when he is resorting to this practice. I cannot recommend too strongly that in granting your credit you check this point carefully and treat each individual account upon its own merits.

I happen to know that in the jobbing end of the machinery business, installment selling has developed to substantial proportions. You who are in the manufacturing end of the business should check your jobber or distributor's policy. The degree of control that is exercised and particularly the length of time that installment contracts are to run are of paramount significance.

I now want to take up with you another development in the present-day methods of distribution which will have a further vital effect on your credit policy. I refer to field warehousing or the hypothecation of merchandise inventory. In the vernacular, business has only recently discovered that funds for trading operations may be provided by using the merchandise inventory as collateral. As long as the particular commodity or article can be identified and evaluated we now have the machinery and complete set-up to carry out this method of financing. The machinery and supply line is one which lends itself very readily in my opinion to this type of practice. I suggest that you inquire among the key men in your own industry as to just how far this practice is being followed. I am sure that if this financing procedure has not already begun to assert itself in your industry you are going to be compelled to deal with it very shortly. In the future we must not only accurately appraise the value of the inventory but should satisfy ourselves in every instance if it is free of any encumbrances or to what extent it is hypothecated.

As I have already stated, the present-day political philosophy basically has the social level of the individual for a background and out of this has arisen, since, the NRA, the Robinson-Patman Act and (*Continued on page* 34)

# Credit's Place in the Business Set-up

## Adequate Control of Great Importance

By Frederick S. Miller, Pace Institute, New York City

The position which the credit department shall occupy in a business organization depends on the need for control in the individual business concern. Expressed in another way, in one concern the entire function of record control will be vested in the comptroller's department; in other concerns the comptroller is responsible to the board of directors, even though he may report to the treasurer and the president. In still other concerns, the function of control will not be so sharply defined, and will be more closely interwoven with that of the treasurer's department. The function of internal control includes properly both research and methods of procedure. While these functions include in their scope production operations and distribution, they are not auxiliary to either, but carried on independent of both.

The function and place of the credit department in the business organization is somewhat similar in its relationship to that of the function of control. There is one all-important reason for the growing recognition that the credit department should be independent of production, of sales, and of the treasurer's department. No major department can operate effectively if the function of that department is regarded as too ancillary and subordinate to the operation of another major branch of business management. Independence of action within certain definite lines of authority and responsibility must be maintained.

### Importance of Credit Function

It is true that the three main divisions of business operation consist of what we term production, distribution, and finance. So long as our business system permits even the degree of initiative still present in American business, this division of operations will pertain. In a more regimented economy, such as exists in Germany today, it would appear that the necessity for independence of planning, decision and action has largely been taken away from individual units, and now reposes in authorities set up by the state to make plans and see that they are carried into effect. Fortunately, we still operate in quite a wide realm of freedom. We are permitted to make our own forecasts and either to derive some benefits from correct guesses, or to pay for our blunders.

This leads us to a consideration of whether any production department can operate economically and successfully, if it is too much under the sway of the sales department. The same may be true of engineering as it applies to manufacturing methods and products; and of research as it applies to distribution. Finally, the same seems to be true as regards the credit department, in its efforts to maintain sound policies with respect to the granting and redemption of credit in order that the greatest possible sales and profits may be derived.

Granted that sales are the life-blood of every business, we cannot fairly deduce from that truism that in an effort to obtain sales, all other functions must be subordinated. Patent as this statement seems, nevertheless it is a fact that in thinking about the position of the credit department in a business organization, too many are apt to lose sight of the necessity for effecting proper collections in their zeal for moving goods. Admittedly, the functions of granting and redeeming credit are definitely related to distribution. It should also be remembered that general credit policies and their proper administrations are of vital importance to efficient financial operations of a company.

### Need for Adequate Control

It can fairly be said that production is part and parcel of distribution, in so far as it is impossible to contemplate having any distribution problems without first having the means of production and then actually producing. There are few who would hold that production should be auxiliary to distribution. Anybody who has worked with sales departments, knows that they are continuously demanding production of what the market will take. Since sales departments are composed of human beings, they demand those products which offer the least sales resistance. It is necessary for the production function to be placed on a basis of equality with that of sales, in order that consideration be given not only to what the market will take most readily, but also to present production facilities and costs and reasonable investment in new capital equipment.

Where agreement cannot be reached between the heads of these departments, the general management steps in to make the final decision. Here again, adequate control can never be attained in the absence of the general management having final authority to decide disputed matters between sales and production departments. It is well known to men in business, that general management needs the help of specialists to make detailed research, cost, and method studies, in order successfully to carry out its control function. This, then, is the point to which present-day business has recognized the growing need for adequate control in our increasingly competitive economy.

The April issue of CREDIT and Financial Management carried a most interesting article entitled, "What Does Management Expect?", by Mr. A. W. Howe. This

article dealt with the place of the credit department in company organization. It is replete with sound observations on the importance of the credit function, the necessity for its being fitted hand-in-glove with the distribution policies as laid down by the general management, and in its regard for the wisdom of adhering to a sound collection policy. Although we must agree substantially with most of Mr. Howe's conclusions, nevertheless there is much difference of opinion with respect to the belief that the credit department should be adjunct to the sales department.

### Must Be Sales-Minded

Credit men must definitely be sales-minded. Their recognition of the vital importance of good will to their business must be just as keen as that possessed by every member of the sales organization. Unfortunately, too often in the past this has not been the case. This is because the credit and collections functions have not been handled by specialists as have production, engineering, and distribution. No slur upon credit men as a class, nor any desire to impute lack of intelligence generally among the group, is intended by this statement. It is simply that intensive study of credit management has, by and large, been a rather recent development.

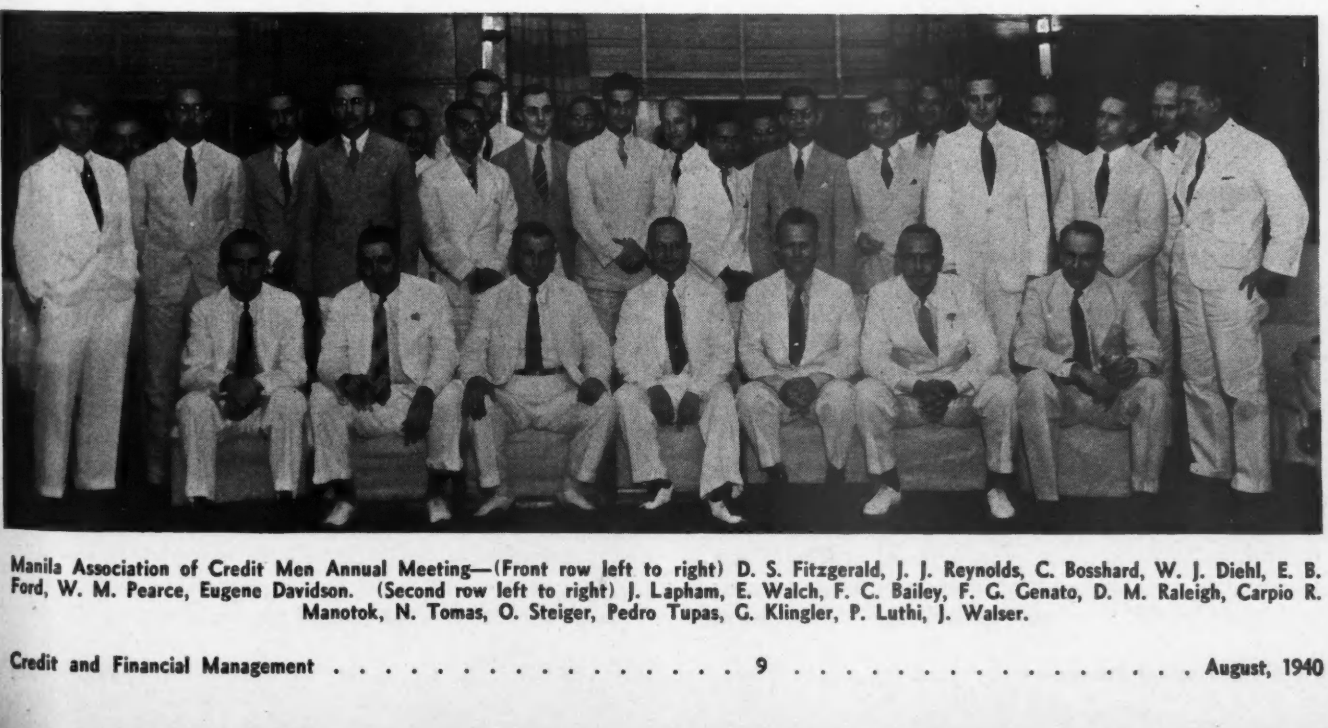
In order to comprehend the gradual development in the field of credit, it is necessary to go back some years and refresh our memories as to the manner in which business was carried on during most of the nineteenth century. It has not been more than 25 years ago since all save a relatively few businesses were run by individual entrepreneurs. These men often fulfilled five separate and distinct functions; sometimes that of capitalist, of entrepreneur, of factory head, of chief salesman, and of treasurer.

Coupled with this situation, was one wherein the buyer of merchandise "came to the market" once or several times a year, and personally met the head of the firm with whom he had been doing business, and right then and there selected his merchandise. This direct contact between seller and buyer afforded the former an opportunity to make a credit appraisal. It would appear that this infrequent contact did not provide adequate means for checking up on the credit risk. Nevertheless, the seller did have access to facilities offered by two general mercantile agencies as well as those provided by several special services. Even this would not have sufficed for adequate credit control, *had it not been a fact that by and large for seventy years our business curve moved upward!* Neither the periods of prosperity nor the depressions were as pronounced nor as severe as was experienced in 1929-1933.

### Do "Cycles" Affect Credit?

In the latter part of 1929, we witnessed a setback in industrial development which in many ways was unparalleled in our history. Price declines, in all save certain staple products for which the demand holds up in bad times, appeared quickly and seemingly without warning. This more than ever before made it impossible to determine credit "lines" except for very short periods. Every phase of business was marked by violent declines. Since 1933, industrial production again moved up very sharply, for over three years, and then again declined sharply in 1937 and 1938. It seems that we are faced with the probability of more violent gyrations in business activity, taking place within shorter periods than was the case up until the late 1920's.

Still a further development must be considered in order adequately to realize the fact that the effective development of credit control did not move on apace with developments in production and distribution. As we all know, our chief industrial problem for at least seven decades was one of production: how to produce more goods more economically. This required intensive study and research, with the result that production efficiency has been brought to a high plane. It is generally conceded that this problem is no longer of paramount importance. With the cost of goods reduced many times, and a larger supply of more useful and attractive articles being offered the consumer, came an increasing struggle for markets. Hence the distribution problem became of prime importance, and no doubt this will continue to challenge the best efforts



**Manila Association of Credit Men Annual Meeting—(Front row left to right) D. S. Fitzgerald, J. J. Reynolds, C. Bosshard, W. J. Diehl, E. B. Ford, W. M. Pearce, Eugene Davidson. (Second row left to right) J. Lapham, E. Walch, F. C. Bailey, F. G. Genato, D. M. Raleigh, Carpio R. Manotok, N. Tomas, O. Steiger, Pedro Tupas, G. Klingler, P. Luthi, J. Walser.**

in our business thinking for many years to come.

Going back for a moment to the one-man operated business, it is well to observe that when his activities became too great and a division of responsibilities was made necessary, the credit and collections functions were gradually handed over to treasurers of businesses; and when their duties became too considerable, then to bookkeepers. We must not forget that the bookkeeper was not trained along credit lines by his past business experience. Unfortunately, it has been too generally the case that even today many general managements have not appreciated the scope nor importance of these functions. Even now, men of capacities equal to those which are found in engineering, production, and sales, have not been drawn into credit management.

### Need for Trained Men

A wider recognition of the need for using the services of able and trained credit men throughout business will probably not come about until this country has gone through the misfortune of another major, cataclysmic depression. Parenthetically, it may be observed that those credit managers who are alert and intelligent enough to see the real need for effective credit management, should be of inestimable help to the businesses with whom they are employed, when we again face such a depression.

It is, of course, a fact that in certain types of businesses, the credit and collections functions are so closely bound in with the marketing function, that these must be carried on by the personnel which handle both. In the direct-to-consumer distribution method of Real Silk Hosiery Mills, Inc., for instance, the only direct contact between seller and buyer is through the salesman. This, coupled with the fact that the unit of sale is generally a few dollars, makes it necessary for the salesman to make the initial credit appraisal. It is recognized that even in this method of distribution there are certain limitations in having the salesman make the credit appraisal. A deposit of 20% of the total amount of the sale is required at the time the order is taken; and the merchandise is not delivered until the balance of 80% is paid in cash. Actually, there is very little of either a credit or a collection problem. There are numerous other businesses which will occur to the minds of credit managers, wherein the distribution and the credit and collections functions are so closely interwoven that, as a consequence, it is only natural and logical that the latter two be entirely subordinate to the sales department.

It has been argued that inasmuch as sales are the lifeblood of any business, and are effected in many instances at increasing costs relative to other expenses of doing business, the credit function should be an adjunct to sales. The reasoning behind this argument is that good will is obtained at a very great cost, and that nothing must be done which would imperil the investment which a company has made in building up this good will.

### Is It Possible to Be Double-Minded?

One cannot particularly disagree with this line of argument, if it were possible for a sales department to be both so completely sales-minded and so completely credit-minded as to achieve the maximum in profitable sales. Inasmuch as every department of every business is manned by human beings, it is only natural that a sales department should be primarily interested in effecting more and more sales. This is so, if for no other reason than that in a great many businesses merchandise is sold on a commission basis; and in a great many others bonuses are awarded for the obtaining of more sales.

A business could not long exist whose only standard of achievement was the effecting of more and more sales. The criterion to be followed in this regard must be that of obtaining maximum sales with minimum losses. In other words (because this statement may connote holding down credit losses to a very low percentage of sales), of obtaining ***maximum profitable sales.***

In the matter of good will, it must be manifest that an intelligent and alert credit department will be completely mindful of the cost to the business in building up good will, and consequently just as appreciative of its value as the production department is of a piece of machinery which cost $10,000. or $100,000. and is producing goods the sale of which is keeping the business going. To say otherwise is to indicate that the credit department has been inadequately trained. With a proper appreciation of good will, the credit department will do everything in its power to foster and develop good customer relationships.

### Training in All Fields

The successful handling of the credit and of the collections functions requires the services of a man possessing a background of knowledge and experience, who will qualify as a credit expert. In determining the necessity for obtaining executive personnel of this character, we need only consider for the moment the procedure of our commercial banks. They, too, market a product upon a credit basis. Fundamentally there are just two differences between their problem and that of the manufacturer. The banker endeavors to translate deposit credit into loan credit, whereas the manufacturer endeavors to exchange manufactured goods in return for credit. There is no manufacturing interval in banking, but so important does the bank regard the transference or sale of its credit, that the final decision in accepting or rejecting a particular application for credit rests with a Loan Officer or Committee, standing on a par with the sales manager or the production manager of a business. Commercial banks appreciate more than industry generally, the importance of leaving the final credit appraisal in the hands of credit experts. This final decision as to whether to accept or reject a risk, when made by the Loan Officer or by the Discount Committee, is not subject to the approval or disapproval of the sales promotion or of the new business departments!

### On a Par with Sales?

It seems apparent that the credit department should be on a par with production and with sales. In some businesses, where the treasury function embraces the entire field of financial requirements of the business, it would seem that the credit manager should be adjunct to the treasurer. The warning may be sounded again of a danger in too completely subordinating the credit manager to the treasurer, not only because the former may lean too heavily upon the latter for assistance in making individual decisions, but also because policies laid down by the general management should be left for execution to the individual department heads, subject always to the check-up and final control of the general management.

# Reorganizations Under Chandler Act—Part I

## Recent Developments in Chapter X Cases

*Discussion of Chapter XI Cases will be presented in Part II in September*

By John Gerdes, of Gerdes & Montgomery, General Counsel,
National Association of Credit Men.

The new Chapters X and XI of the Bankruptcy Act,[1] which have displaced the old Sections 12[2] and 77B[3] as vehicles for the reorganization of corporations, have now been in effect for more than eighteen months.[4] Each of them contains novel features of importance. Has actual experience with these features justified them?

What effect will the recent decision of the United States Supreme Court in the *Los Angeles Lumber Products Company* case,[5] have on plans of reorganization in proceedings under Chapters X and XI?

This article will attempt to answer these questions.

Upon approval of the petition for reorganization under Chapter X, the judge is now required to appoint a trustee if the liabilities of the estate are $250,000 or more.[6]

Every trustee appointed in proceedings under Chapter X must be "disinterested", unless a disinterested trustee has already been appointed and is acting.[7] The statutory definition of disinterestedness[8] bars the appointment as trustee of any creditor or stockholder of the debtor, any underwriter of an outstanding issue of securities of the debtor, and any officer, director, employee, or attorney for the debtor who was acting as such within two years prior to the filing of the petition. In addition, the disinterested trustee must have no interest which is materially adverse to the interests of any class of creditors or stockholders of the debtor.

The trustee is charged with new responsibilities.[9] He is required to make a quick investigation of the assets and liabilities and to submit a brief statement of his findings.[10] He must determine what claims, if any, exist in favor of the debtor against past management,[11] and report whether a more detailed investigation of the past conduct of the business is desirable. The results of this investigation must be submitted to the creditors and stockholders of the debtor in such form as the judge may direct.[12] Notice to all the directors and stockholders that they may submit to him suggestions as to the matters which ought to be included in the plan of reorganization, must also be given by the trustee.[13]

If authorized to operate the business or manage the property of the debtor, the trustee has the additional duty of filing comprehensive periodic reports of such operation or management with the court.[14] Copies or summaries of these reports are generally submitted to the parties in interest.[15]

After completing his initial report, the trustee must prepare a plan of reorganization,[16] a duty which was never imposed upon a receiver in equity or a trustee under Section 77B.[17]

Chapter X also gives the Securities and Exchange Commission a new and important status in the proceedings.[18]

It may, with the approval of the judge, file a notice of appearance. Upon such filing it has the same status in

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* This article contains the substance of an address by the author before the Institute conducted under the auspices of the Virginia Bar Association and the law schools of Virginia, held in Richmond, Virginia, January 13, 1940. Copyrighted Virginia Law Review.

[1] Bankruptcy Act, 52 Stat. 840, 11 U. S. C. §§ 1-1103 (Supp. 1938). Subsequent citations to the Bankruptcy Act will refer to section numbers alone. Sections of Chapter X are numbered from 101 to 276. Sections of Chapter XI are numbered from 301 to 399.

[2] 30 Stat. 549 (1898), 11 U. S. C. § 12 (1934).

[3] 48 Stat. 912, 11 U. S. C. § 207 (1934).

[4] The Act was approved by the President, June 22, 1938, and became effective September 22, 1938.

[5] 308 U. S. 106 (1939).

[6] § 156. If the liabilities of the estate are less than $250,000, the judge may in his discretion either appoint a disinterested trustee or continue the debtor in possession.

[7] § 156. An additional trustee who is a director, officer, or employee of the debtor may be appointed by the judge. This additional trustee, however, has only powers and duties in connection with the operation of the business. §§ 156, 189. This provision was inserted as a concession to those who insisted that the judge should be permitted to appoint one trustee who is familiar with the business of the debtor. See Gerdes, *Corporate Reorganizations: Changes Effected by Chapter X of the Bankruptcy Act* (1938) 52 Harv. L. Rev. 1, 11. With certain exceptions, the attorney appointed to represent the trustee must also be a disinterested person within the meaning of the Act. § 157.

[8] § 158.

[9] For a discussion of the trustee's duties, see Gerdes, *supra* note 7, at 12-15; Jackson, *The Relationship of the Trustee to Reorganization under the Chandler Act* (1939) A3 Corp. Reorg. 112.

[10] §167 (5). There is some question as to the duty of the trustee to prepare and submit such a statement when the judge does not direct an investigation. The statute, however, may be construed to require a statement based upon such information as the trustee acquires, even if a formal investigation has not been ordered by the judge. See Sen. Rep. No. 1916, 75th Cong., 3d Sess. (1938) 30; Gerdes, *supra* note 7, at 13. But see Heuston, *Corporate Reorganization under the Chandler Act* (1938) 38 Col. L. Rev. 1199, 1213.

[11] § 167 (3).

[12] § 167 (5).

[13] § 167 (6).

[14] § 189. The period to be covered by such reports is designated by the judge. It would seem that a report must be filed at least once yearly. § 190; see Gerdes, *supra* note 7, at 18.

The Bankruptcy Rules for the District Court for the Southern District of New York, adopted Sept. 28, 1938, require the trustee to file such a report monthly. Rule X-14.

[15] § 190. The act requires copies or summaries of annual reports to be submitted to creditors, stockholders and indenture trustees, and the court may direct other reports to be submitted to the same parties. The Securities and Exchange Commission may recommend the form of such reports or summaries.

[16] § 169. The time within which to submit such a plan is fixed by the judge.

[17] Until recently the merits of a plan of reorganization were deemed of no interest to the court. It has been assumed that the proponents of the reorganization would promulgate a plan and bring it before the court for proper action. 1 Gerdes, Corporate Reorganizations (1936) § 16; 2 *id.* § 1036; Gerdes, *supra* note 7, at 13-15; Jackson, *supra* note 9, at 112-113.

[18] The participation by the Securities and Exchange Commission in reorganization proceedings under Chapter X is discussed in detail at pp. 1010-13 *infra*.

the proceeding as a party in interest who has been granted intervention, except that it is not permitted to appeal.[19]

If the estate has liabilities exceeding three million dollars, any plan or plans which he deems to have merit, or, to use the language of the statute, which "are worthy of consideration", *must* be referred by the judge to the Securities and Exchange Commission for report as to the merits.[20] If the estate's liabilities do not exceed three million dollars, the judge *may* in his discretion refer the plan to the Securities and Exchange Commission.[21] In either case the report of the Commission is advisory only and the judge is free to disregard its recommendations.[22]

When the plan is referred to the Securities and Exchange Commission, the judge fixes the time within which the Commission must make its report.[23] The judge is not permitted to approve any plan until after the receipt of the Commission's report, if any, or the expiration of the time fixed for the filing of such report.[24]

When acceptances of a plan are solicited from creditors and stockholders, a copy of the report of the Securities and Exchange Commission, if any, or a summary of that report prepared by the Securities and Exchange Commission, must be sent, even though such report may recommend rejection of the plan.[25]

Prior to the submission to the creditors and stockholders of copies of the plan, the opinion of the judge, and the report of the Securities and Exchange Commission, there can be no solicitation of acceptances of the plan, unless the Court has given specific consent to such solicitation.[26] Without such consent, any acceptance which has been given before that time, or any authority to accept, no matter what the form of that authority, is absolutely null and void and without effect.[27]

These, in brief outline, are the important novel features of Chapter X. They relate principally to the new duties and powers given to the Securities and Exchange Commission and to "disinterested" trustees. The manner in which these new duties have been performed, and powers exercised, and the effect on the reorganization proceedings, will now be considered.

Few proceedings have been conducted under Chapter X. General statistics are not available. Judgment of the value of the work of the disinterested trustee and the Securities and Exchange Commission in reorganizations under Chapter X, must, therefore, be based upon an intimate and personal knowledge of specific reorganizations. It is for this reason that the writer has devoted so much of the following discussion to situations in which he has been a direct participant.

### Functioning of the Disinterested Trustee

As reorganizations which illustrate the functioning of the disinterested trustee under Chapter X, the writer has selected the reorganization proceeding of Reynolds Investing Company, which is pending in the United States District Court for the District of New Jersey,[28] and the reorganization proceeding of McKesson & Robbins, Inc., which is pending in the United States District Court for the Southern District of New York.[29]

Upon the approval of the petition, Judge Fake appointed two disinterested trustees.

The debtor corporation was an investment trust which for a number of years had been rather inactive. Its portfolio had been in a static condition for a long period of time and had every prospect of continuing in that state. The trustees examined the portfolio and decided that there was no need for haste in the liquidation of any of the securities.

An immediate decrease in general expenses and the elimination of the salaries of officers resulted in reducing the amount of operating expenses by over fifty per cent.

In valuing the assets and liabilities of the company, the trustees were confronted with a difficult problem.[30] An important part of the portfolio consisted of large blocks of corporate securities which had nominal markets, but markets so thin that efforts to sell the holdings would break their prices. It was necessary, therefore, for the trustees to determine the present value of these securities by a consideration of factors other than market prices. The difficulties in making these appraisals will be apparent when it is known that, prior to the appointment of the trustees, hearings in the proceeding had been held over a period of eight months to determine whether the company was insolvent.[31] The controversy concerned itself entirely with the values of these securities. The hearings resulted in no conclusions regarding such values, and the trustees were appointed by general consent in order to put an end to the fruitless continuance of such hearing. The trustees, after an analysis of the assets, liabilities and earnings of the respective corporations—past, present and prospective,—fixed values which have not been questioned or challenged.

About a year prior to the appointment of the trustees, the old management of the company had sold and delivered control of the board of directors to a group of persons who were financially irresponsible. The new group substituted worthless securities for valuable securities in the portfolio, and their activities, extending not only to this particular investment trust but also to other investment trusts, resulted in their indictment in both the federal and state courts. The trustees unearthed the facts as to this transaction, as well as other transactions in which the old management had been guilty of misconduct or negligence, by a complete and thorough investigation. An examination of all the records and books of the company was made. Numerous witnesses were examined, in New Jersey, New York, and Virginia, under the provisions of Section 21a of the Bankruptcy Act.[32] Detailed

[19] § 208. The Commission is required to file a notice of appearance if the judge so requests.
[20] § 172.
[21] *Ibid.*
[22] *Ibid.*
[23] § 173.
[24] § 174.
[25] §§ 175 (3), 176.
[26] § 176.
[27] *Ibid.*
[28] This proceeding was initiated by the filing of a creditors' petition on May 18, 1938. The petition was not approved, however, until January 19, 1939. James D. Carpenter, Jr., and the writer were appointed trustees. At the request of the Judge, and with the consent of all the interested parties, they are acting as their own attorneys.
[29] This proceeding was initiated by the filing of a voluntary petition by the debtor on December 8, 1938. On December 5, 1938, receivers of all the Company's property had been appointed by the Connecticut District Court upon the application of a holder of 2,000 shares of the Company's common stock. The receivers were superseded by the appointment of the trustees in the Chapter X proceeding. The writer's firm, Gerdes & Montgomery, are the attorneys for the Merchandise Creditors' Committee which represents claims aggregating more than $8,000,000.
[30] § 167 (5), among other things, requires the trustee at the earliest practicable date to prepare and submit a brief statement of his investigation of the financial condition of the debtor.
[31] The petition must include an allegation that the debtor is insolvent or unable to pay his debts as they mature. § 130. This allegation was denied in answers filed by the debtor and certain preferred and common stockholders.
[32] § 102, provides that the provisions of Chapters I to VII, with certain stated exceptions, shall apply to proceedings under Chapter X.

audits of the books of brokerage houses were made.

Pending actions were prosecuted. New actions were instituted. Suits to recover more than $3,000,000 are now pending. Intricate questions of fact are involved—novel questions of law have been raised. Appeals as to questions of pleading have already been heard and passed upon by the New York Court of Appeals.[33]

An eighty-three page printed report—setting forth in summary manner the facts revealed by their investigation, the data on which the values of the portfolio securities were based, and information regarding the financial condition of the company—was prepared by the trustees and mailed to all creditors, stockholders and other interested parties.[34]

The trustees were next faced with the problem of preparing and submitting a plan of reorganization.[35] Here again the task of the trustees was not a particularly easy one.

Before the appointment of the trustees, the committees representing security holders had already had numerous conferences in an effort to agree upon a plan. They continued their efforts after such appointment. A plan was finally evolved by them and submitted to the trustees. The time and thought expended on their plan is partially indicated by the fact that it went through eleven printings before it was submitted to the trustees.

The plan proposed by the committees contemplated a continuance of the business as an active investment trust. The Securities and Exchange Commission appeared to be of the opinion that the company's assets should be liquidated immediately and the proceeds distributed among the security holders. Since some of the holders of debentures agreed with the Commission, the adoption of either of these views by the trustees would have resulted in prolonged and costly litigation.

Careful consideration of the opposing views convinced the trustees that the plan proposed by the committees was not fair, equitable and feasible within the meaning of Chapter X. On the other hand, the trustees also found that they could not accept the view of the Securities and Exchange Commission. The trustees agreed with each in part and with neither as to other parts. They agreed with the Securities and Exchange Commission that it would be unfair and inequitable to compel the debenture holders to risk presently realizable values in a continuing investment trust operated primarily for the benefit of the stockholders. However, the trustees also deemed it unfair to insist upon an immediate liquidation which would result in the realization of forced sale values to the serious detriment of all parties in interest, including holders of debentures.

After numerous conferences with the representatives of all classes of security holders and the Securities and Exchange Commission, the trustees finally prepared what was, in effect, a plan for the liquidation of the company over a period of time which would give reasonable opportunity for realizing the true value of the portfolio, while at the same time affording complete protection to the senior interests by giving them control of the management.[36]

With modifications proposed by the trustee after the hearings, the plan was approved by the Judge, the Securities and Exchange Commission, and all the parties in interest.[37]

### The McKesson & Robbins Reorganization

The McKesson & Robbins reorganization presented a situation entirely different from that of Reynolds Investing Company.

McKesson & Robbins, Incorporated, has been engaged for a number of years in the business of drug jobber and manufacturer of drugs. It is considerably larger than the Reynolds Investing Company. As against an outstanding debenture issue of approximately three and one-half million dollars in the *Reynolds* case, the McKesson Company has outstanding a debenture issue of approximately sixteen million dollars. It has other unsecured claims of approximately fourteen million dollars, preference stock outstanding to the extent of thirty million dollars, and six million dollars of common stock. After full provision for the claims of creditors, apparently at least thirty-one million dollars of assets are available for the interests of the preference and common stockholders, without including trade marks and good will.[38] A valuation of the company based on a capitalization of its earning power as demonstrated since the filing of the petition in bankruptcy will show, it is believed, a substantial equity for the common as well as the preference stockholders.[39]

It is unnecessary to elaborate upon the facts leading to the reorganization of this company. The public press has featured the fact that the president of the Company, a former criminal, operating under an assumed name, appropriated some of its assets, having fictitious transactions entered upon the company's books to conceal the fact and to inflate the company's earnings.

Although the actual thefts totaled only approximately three million dollars, the juggling of the books resulted in the inclusion of fictitious assets of twenty-one million dollars in the balance sheet of the company.

The initial problem of prime importance in this reorganization was management. The business is tremendous in size and wide in geographical distribution. It is an aggregation of smaller units which were consolidated into one unit by purchase, payment being made with McKesson stock. In most cases the former owners of the units taken through consolidation retained their McKesson stock and, as officers and directors, of McKesson, continued to manage their units as divisions of the McKesson Company. The Company has about seventy-eight different offices in thirty-six states and two foreign countries.

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[33] Gerdes v. Reynolds, 281 N. Y. 180, 22 N. E. (2d) 331 (1939).

[34] Report of John Gerdes and James D. Carpenter, Jr., as Trustees, dated August 8, 1938.

[35] § 169. See notes 16, 17 *supra*.

[36] A plan may propose liquidations as well as the continuation of the debtor as a going concern. *In re* Central Funding Corp., 75 F. (2d) 256 (C. C. A. 2d, 1935); *In re* State Lake Building Corp., C. C. H. Bankr. Serv. ¶ 3515 (D. C. Ill. 1935). But see *In re* 1688, Milwaukee Corp., 99 F. (2d) 686 (C. C. A. 7th, 1938).

[37] The plan was approved by the judge on April 19, 1940.

[38] The Company's assets, excluding trade marks and good will, exceeded sixty-nine million dollars on September 30, 1939.

[39] Since the decision of the United States Supreme Court in *Case v. Los Angeles Lumber Products Co.*, 308 U. S. 106 (1939), the question of valuation in determining the right of creditors and stockholders to participate in a plan of reorganization has become one of increasing importance. Where a continuation of the debtor as a going concern is contemplated, it would seem that a valuation based on capitalization of earning power should be used rather than one based on liquidation. This seems to be the view which has been adopted by the Securities and Exchange Commission. *In re* National Radiator Corp., S. E. C. Corp. Reorg. Release No. 10 (1939), C. C. H. Bankr. Serv. ¶ 51,960; *In re* La France Industries, S. E. C. Corp. Reorg. Release No. 16 (1939), C. C. H. Bankr. Serv. ¶ 52,051; see FINLETTER, THE LAW OF BANKRUPTCY REORGANIZATION (1939) 555 *et seq.*

Judge Coxe, in his order approving the petition, appointed a disinterested trustee.[40] The trustee conducted an investigation of the assets of the company, and has to date prepared and submitted three reports giving a complete picture of the company's past history, its current operations and profits and its future prospects.[41]

The results obtained by the trustee in his operations of the business are impressive. During 1939 the trustee showed a net profit, before provision for Federal Income taxes and trustee's expenses, of $5,025,091, whereas the profits for the year 1938 when put on a comparable basis were $2,475,364—an increase for 1939 of slightly over 100%. The earnings for 1939 were considerably better than for any previous year for which reliable figures are available.

The parties in interest have been supplied with complete information by the reports of the trustee and have been requested by him to submit suggestions for a plan of reorganization.[42] The plan of the trustee has not yet been formulated. The representatives of the security holders are cooperating with the trustee in an effort to prepare a plan which will be satisfactory to the various interests involved and comply with the statutory requirements.

## Comments on Reynolds Investing and McKesson Cases

These two reorganizations, Reynolds Investing Company and McKesson & Robbins—in both of which disinterested trustees were appointed—illustrate the results which it is believed are being secured generally in reorganizations under the provisions made effective by the Chandler Act. They are significant as allaying, to some extent at least, two important criticisms of these provisions.

When the enactment of the Chandler Act was being considered, a fear generally expressed was that the requirement that the trustee be disinterested would result in management of the business by a trustee entirely unfamiliar with it, and that such management would disrupt and disorganize the business and result in serious losses.[43]

This fear was not realized in the *McKesson & Robbins* case, where the trustee, a total stranger not only to the Company but also to the business in which it was engaged, secured operating results far superior to those secured by the old management in any year of the company's history for which reliable figures are available.

Fear was also expressed that disinterested trustees, charged with the duty of preparing plans of reorganization, would perform this task in virtual seclusion and submit plans which, although perfect in theory, would be wholly impractical—plans which would have no chance of receiving the support of the security holders.[44] The procedure followed in the *Reynolds Investing Company* case, which it is believed will be commonly adopted in other cases, furnishes a satisfactory answer to this criticism.

## The Security and Exchange Commission

The novel provisions of Chapter X dealing with the participation of the Securities and Exchange Commission in reorganization proceedings[45] have also been tested in practice during the past eighteen months. A reasonable judgment of the results may now be offered.

In practice the Securities and Exchange Commission has been filing its notice of appearance at the earliest practicable moment in cases under Chapter X in which it is mandatory to have the plan referred to it for report, *i.e.*, in reorganizations in which the liabilities are in excess of three million dollars.[46] In smaller cases its participation depends upon the particular facts of each case. As a rule the Commission seeks to intervene in all cases in which a public investor interest is involved. Where the face amount of the debtor's publicly held securities is less than a quarter of a million dollars, the Commission generally assumes the absence of a public investor interest and does not seek intervention.

Participation of the Securities and Exchange Commission in reorganization proceedings instituted under superseded Section 77B[47] of the Bankruptcy Act, is also dependent upon the specific factual situation in each case. As a general rule the Commission has not sought to participate in proceedings which have reached an advanced stage.[48] Where the proceedings were still in an initial stage, the Commission has sought intervention when it deemed a public investor interest was involved.

In the Reynolds Investing Company reorganization, in which the petition was filed in May, 1938, the Commission filed its notice of appearance immediately after the Chandler Act became effective, because at that time no progress had been made in the case.[49] In the *Postal Telegraph Co.* case, hearings on a plan of reorganization were being held when the Chandler Act became effective. The Commission did not make an application for intervention at that time, although subsequently, at the request of the judge, it filed a notice of appearance in order to assist on the question of allowances.[50] In two other cases, involving the Standard Tobacco Company and R. K. O., the Commission intervened at a rather late stage in the proceedings, but participation in each case was requested by the judge.

As the McKesson & Robbins petition was filed after the provisions of Chapter X became effective, the Commission filed its appearance immediately. (*Cont'd P.* 28)

[40] On December 8, 1938, William J. Wardall was appointed disinterested trustee. At the same time an additional trustee was appointed who was the executive vice-president of the Company. The latter, however, resigned less than two weeks later, his resignation having been accepted by an order of the Court dated December 19, 1938. Since then Mr. Wardall has acted as sole Trustee.

[41] First Report dated January 27, 1939; Second Report dated July 1, 1939; Special Report dated November 22, 1939.

[42] This request accompanied the Special Report dated November 22, 1939.

[43] See *Hearings before Subcommittee of Senate Judiciary Committee* on H. R. 8046, 75th Cong., 2nd Sess. (1937-1938) 30, 85.

[44] See *Hearings before House Judiciary Committee* on H. R. 6439, as amended by H. R. 8046, 75th Cong., 1st Sess. (1937) 147; Jackson, *supra* note 9, at 114-116.

[45] For a discussion of the Commission's participation in Chapter X proceedings, see Address by Jerome N. Frank, Chairman, Securities and Exchange Commission, delivered before The Association of the Bar of the City of New York, March 27, 1940; Address by J. Anthony Panuch, Special Counsel, Reorganization Division, Securities and Exchange Commission, delivered before New York County Lawyers Association, November 21, 1939.

[46] § 172.

[47] The provisions of Chapter X are applicable to reorganization proceedings commenced more than three months prior to its effective date, only in so far as they are deemed practicable by the judge. § 276 (c) (2). London v. O'Dougherty, 102 F. (2d) 524 (C. C. A. 2d, 1939); *In re* Old Algiers, 100 F. (2d) 374 (C. C. A. 2d, 1938); *In re* Philadelphia & Reading Coal & Iron Co., 27 F. Supp. 256 (E. D. Pa. 1939).

[48] Where the preparation of a plan has reached an advanced stage, the judge has generally declined to submit it to the Securities and Exchange Commission for its report. *In re* Prudence Co., 25 F. Supp. 205 (E. D. N. Y. 1938); *In re* Brown Co., C. C. H. Bankr. Serv. ¶ 51,708 (D. C. Me. 1939).

[49] The petition in this proceeding, although filed on May 18, 1938, was not approved until January 19, 1939.

[50] The Commission is required to file a notice of appearance if requested to do so by the judge. § 208.

# "Short-Cuts" in Billing Routine

## How One Manufacturer Handles This Work

By R. J. Sever, Assistant Treasurer, P. R. Mallory Company, Indianapolis, Ind.

Many billing procedures require three separate operations to complete—first, all extensions must be figured, then the bill must be typed, and, finally, the completed bill must be checked. Any system which combines two of these steps into one can immediately show tangible advantages—advantages which are particularly "newsworthy" right now when office procedure is receiving its closest scrutiny from business.

Such a billing system can be found at P. R. Mallory & Co., Inc., Indianapolis, Indiana, manufacturers of parts for radio, electrical, automotive and industrial fields. Not only are typing and extending handled as one continuous operation in Mallory's billing department, but, also, other worthwhile savings are realized which stamp the entire procedure as unusually efficient.

The Mallory Company's products go chiefly to manufacturers, and to radio parts wholesalers for the replacement market. Branch sales offices are maintained in New York, Philadelphia, Buffalo, Cleveland, Detroit, Chicago, San Francisco, and Los Angeles, but all customer billing is done from the home office in Indianapolis.

### Handling 3000 Active Accounts

Approximately 3000 accounts can be classified as active of which about 1000 are wholesale and 2000 are manufacturing. Since the billing routine is fundamentally the same in both instances, this article will confine itself to the invoicing of manufacturers.

Mallory's business, by its very nature, is highly technical, and, for the most part, the invoicing involves lengthy, detailed descriptions of the items billed. Two or three line invoices here are almost the exception rather than the rule, although for purposes of simplicity a three-line invoice is shown in the illustration. It is not at all uncommon for invoices to run several pages, and one day, not so long ago, a single bill required 26 pages, which is the all-time high to date.

With this condition existing, it became highly desirable to avoid as much re-handling of the bills as possible. This made it natural to look for a billing machine that was equipped with both typing and computing-printing mechanisms. When investigation revealed a machine which not only filled that requirement, but also performed all extensions by direct mechanical multiplication, Mallory felt that they had found the answer—that they did has been proven by several years' intensive operation of the plan with eminently satisfactory results.

### Reduces Billing to Simplest Form

As R. J. Sever, Assistant Treasurer, aptly puts it: "We like our system because it reduces billing to its simplest elements, eliminating all unnecessary steps. We start out with a blank bill in the machine, and it is removed as the finished product. Aside from checking, there is nothing more to be done to it."

When an order is received from the John Smith Company of Chicago, a sales production order is immediately issued showing the dimensions, materials and all other necessary specifications for filling the order. By and large, Mallory products are tailor-made to the customer's requirements which means that they are individually engineered in nearly all cases.

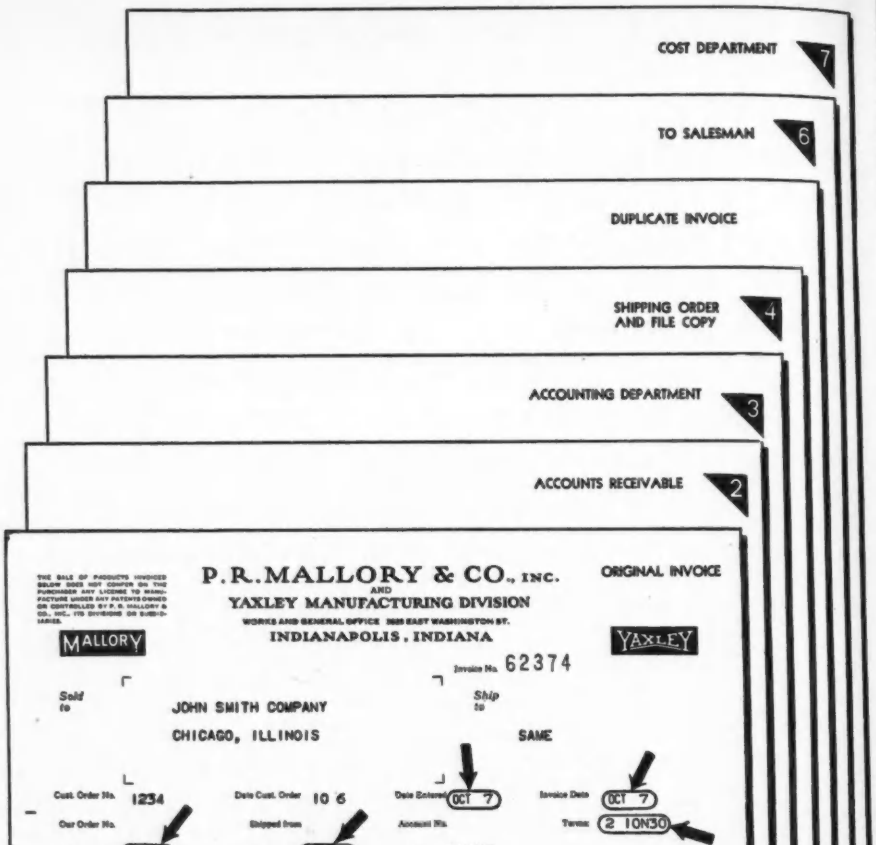
Following preparation of the manufacturing procedure by the engineering department, John Smith Companys' order goes into actual production. When completed and ready for shipment, the shipping department makes out a multiple-copy bill of lading, one copy of which serves as the billing media. Orders may be shipped in whole or in

part, according to the customer's wishes, but, in any case, bills of lading and invoices are written to cover shipments as they are made. One order may thus be spread over three or four invoices.

After matching the bill of lading with the order, the order department prices—but does not extend—the order and sends it to the billing department. Without exception, all goods shipped yesterday are billed today, thus releasing posting data to the accounts receivable department almost immediately.

### Logotype Keys Are Used

With the production order before her, the billing machine operator types in the heading of the bill. This is just as it would be done on a typewriter with one important difference—in some instances the use of a logotype key accomplishes in one stroke what would require several key strokes on a typewriter. In the bill illustrated, for example, each item indicated by an arrow is printed by a logotype key in one keystroke. Use of logotype keys in this particular bills' heading saved 15 key depressions. As each line is written on the machine, the carriage returns electrically at the touch of a key to the starting position for the next writing line, and the bill spaces up automatically.




After the heading is completed, the operator begins the body of the bill. She first types in the quantity covered by the invoice, and, unless this is only a partial shipment, skips the next column. She next types in a description of the item being billed. In this particular instance, the description COND is printed in one stroke by depressing a logotype key. After entering the unit price in the machine's computing section, the operator depresses multiplying keys for the quantity, and the machine multiplies the two figures mechanically, printing the answer in the gross amount column at the touch of a single key.

The same procedure is followed for the remaining two items with the machine multiplying price times quantity in each case. When the last entry has been made, a single keystroke draws a line across the gross column, and the operator prints under it, with a single keystroke, the grand gross total which the machine has been accumulating automatically. The machine mechanically computes the amount of the chain discount, and prints it in the net amount column. Again the line is drawn and again the total prints from a single key depression. As the last step, the postage is added, the line drawn and the net amount of the bill printed.

### Continuous Forms Save Time

To eliminate stuffing carbon between forms and inserting sets of forms into the carriage individually, Mallory uses continuous form bills. These are in seven parts ordinarily with two copies going to the customer, one to the accounts receivable posting clerk, one to the accounting department, one to the salesman, one to the cost department and one to file. Some customers want three copies instead of two, and in those cases eight parts are written simultaneously.

Because of the unusual length of most of Mallory's bills, production figures do not give a true picture of the work actually being done. A comfortable daily average total would be probably 500 for the three machines. Put another way, this amounts to around 4500 posting lines per day, or 1500 lines per operator per day. "Peak" billing loads are no particular factor at Mallory's as the work is spread fairly evenly throughout the month.

Mr. Sever names speed and elimination of unnecessary motions as the outstanding results attained by Mallory's "streamlined" billing procedure. "We proceed to the desired result by the shortest possible route—*a direct line,*" he emphasizes. "Anytime you can eliminate or consolidate operations you save time and money, and we certainly feel that our system has done that for us.

"Little things add up to savings (*Cont'd on P.* 29)

# Accounting on Government Contracts

## A Method for Determining Production Costs*

By R. M. Woodham, Technical Assistant to the Treasurer, Wright Aeronautical Corporation, Paterson, N. J.

The aviation industry is a lustily growing infant that is several kinds of a problem child to its parents or administrators. To begin with, it draws on all the more well established fields of business in the design of its products, using in every case the latest techniques, and presenting numerous unsolved problems to the older arts. Its prime requisite, strength and dependability without weight and bulk, is a feature relatively unimportant in other fields of transportation, that is, until recently. Add to this the fact that advances in the art, both fundamental and detail, occur with bewildering rapidity, and you have a rough idea of the problems indicated to an accountant who must correlate all operations, provide for a system sufficiently flexible to encompass frequent changes, and yet satisfy the requirements of government agencies who are constantly on the watch to examine your price structure, question your pro-ration of charges and restrict your profit.

In such a complex industry the determination of costs is an intricate matter requiring a great deal of experience and necessarily involving a large amount of judgment and discretion. Some years ago a uniform accounting plan was developed and adopted by the entire industry. This plan greatly facilitated the work of Army and Navy auditors as well as the accounting organizations of the contractors. With the introduction of the Vinson Act in 1934, a profit limitation Act relying upon the Bureau of Internal Revenue for the determination of costs, the situation was further complicated by the rules and regulations of the Treasury Department. Therefore the various government audit schedules on which rest the determination of the margin of profit become a matter of profound importance.

### Requirements Affecting Government Contracts

Any of you who have had the opportunity of handling government business in your establishment are probably aware of the innumerable regulations and details required throughout the course of the contract. I shall simply list some of the requirements in order to present a groundwork for the later determination of costs on government orders.

1. Preparation of bid to governmental requirements.
2. Design of product to Army and Navy specifications, not to mention the desires and prejudices of the particular government customer, etc.
3. Fabrication to government process specifications on material, heat-treating, plating, riveting, welding, cleaning, finish, etc.
4. Purchasing of material that must be either source inspected or passed by the contractor's inspection department on receipt.
5. Maintenance of a product and process inspection department for 100 per cent inspection of all parts, satisfactory to the government representatives assigned to the plant.
6. Testing and acceptance of product to government specifications, both at the contractor's plant and in the laboratories of the military services. Such tests are very extensive in the case of experimental articles and may involve a number of different agencies over a period of more than a year.
7. Shipment of product on government bills of lading in containers regulated by government specifications.
8. An important consideration affecting all the above procedures is the Walsh-Healy Act and the Wages and Hours Bill requiring classification of, and reports on every employee.
9. Compliance with:
   a. Harter-Sheppard Act of 1940. An Act authorizing the Army and Navy to award contracts for aircraft parts and accessories to the three lowest responsible bidders that can satisfactorily perform the work to the best advantage of the government. The authority runs only until June 30, 1941.
   b. Air Corps Act of 1926. Classifying aircraft procurement under competitive bidding, negotiated contracts, or design competition.
   c. Davis-Bacon Act of 1931 specifying that prevailing wage rates shall be applied to contracts on public works.
   d. Eight Hour Law of 1912.
10. Vinson Act reports on all Army or Navy orders for new equipment in excess of $10,000. The Vinson Act provides that the Secretary of the Navy and the Secretary of War are not authorized to close contracts with any contractor unless the contractor agrees:
    a. To make a report under oath to the Secretary of the Navy or the Secretary of War upon the completion of the contract.
    b. To pay profit in excess of 10 per cent for naval vessels and 12 per cent for Army and

* From a Bulletin issued by National Association of Cost Accountants, New York City.

Navy aircraft to the Treasury Department, computed on all Army and Navy contracts separately, completed in any one year, provided:

(1.) Net loss or deficiency of profit may be allowed as credit against excess profit for the next successive four income taxable years.

(2.) If such amount is not voluntarily paid the Secretary of the Treasury shall collect same under the usual methods employed to obtain Federal income taxes.

(3.) This section shall not apply to contracts for scientific equipment used for communication, target detection, navigation and fire control.

c. To make no sub-divisions of any contract for the purpose of evading provisions ot the Act.

d. To make accessible to any person designated by the Secretary of War, the Secretary of the Navy, the Secretary of the Treasury, or a duly authorized Committee of Congress, the manufacturing space and books of its plant or affiliates for inspection and audit.

e. To make no subcontracts unless the subcontractor agrees to the foregoing conditions.

Section 3 of the Act itself is not lengthy or involved. The accounting procedure directing and amplifying the requirements of the Act is contained in various treasury decisions and income tax rulings of which the two latest are TD-4906 and TD-4909 which may be secured from the Government Printing Office in the Internal Revenue Bulletin No. 1939-27, dated July 3, 1939. The Vinson Act report encompasses a detail handling of all direct and indirect costs together with their manner of prorating, adjustments for material and labor cost variations, allocation of overhead charges, etc., as applied to individual contracts and to all contracts completed in any one year. It should be noted that *all* contracts in excess of $10,000 completed after March 27, 1934 are subject to the Vinson Act whether or not the Act is specifically mentioned in the original contract wording.

## Subcontractors

In order to develop the accounting procedure necessary to satisfy the above requirements we shall examine a typical Vinson Act report.

First we have direct charges of material, labor, and overhead. Simple, isn't it? But let us examine it further. Under material, if the contract be of sufficient size, there are subcontracts, and thereby hangs a headache. Subcontracts are orders to any one vendor totaling more than $10,000 of supplies for any one contract. One of the most difficult details in the proper handling of subcontracts is to determine the liability of a subcontractor on the basis of the incomplete information available at the beginning of a contract. Some manufacturers simply stamp every purchase order "Vinson Act" which in effect passes the buck to the supplier as to his liability under the Act. Under this system the subcontractor has no means of knowing which of many orders received from a contractor are for the same contract and therefore constitutes a subcontract if aggregating more than $10,000.

In my opinion it is the duty of the prime contractor to assist the vendor in fulfilling his obligation to the contractor and to the government as far as he is able. Furthermore the prime contractor is definitely required by the regulations of the Act to report to the government as subcontracts are awarded, the name of the vendor, material to be supplied, and the amount of the award. The same information must appear on the final Vinson Act report, so that the contractor gains nothing in stamping *all* his orders, since he must maintain sufficient records for the above purpose. To add to the complications, let us assume that the original contract may be amended, or an option taken up to increase the quantities on order, or a list of spare parts may later be received, the parts to be used on the original contract. The manufacturer is then in the unhappy position of requiring some of his vendors who were not originally subject to the Vinson Act, to now accede to its requirements because of an increase in the order, regardless of the fact that the majority of material may now be delivered. Furthermore, how would you determine whether vendors of castings, bar stock and sheet stock that were purchased far in advance of the particular contract, are liable to Vinson Act provisions? How shall we handle rejections and reorders? How shall we handle the problem of design changes during the course of a contract when the change is a major one?

## Labor and Overhead Costs

The labor charges are not as difficult to allocate provided the contractor has a competent job order or standard cost system already developed. The various services of employment, stores, inspection, maintenance, power plant, etc. may be included as a part of manufacturing overhead, but the costs may be shown in detail. Over a long term contract the Government will allow varying rates of overhead, if necessary.

Under overhead we have the various items of indirect expense with which we are all familiar, including depreciation. And right there we have another problem! On equipment used for as rapidly changing an art as aviation, depreciation is a subject most difficult of accurate determination. Regulations include a provision for "depreciation and obsolescence of special equipment necessarily acquired primarily for the performance of the contract." This simply means that special tools, dies, jigs and fixtures purchased or fabricated for use on any one contract must then be scrapped if full costs are to be allowed. Obviously the contractor takes a licking on this item, for he will not ordinarily scrap tools and fixtures or tear down buildings for which there is any possibility of later use. So he puts these items in his normal capital assets and charges long term depreciation on them. It might be stated here that certain recent closing agreements between the Treasury and contractor set forth the manner of handling depreciation on enlarged facilities for certain orders where the necessity is certified to by the Army or Navy.

A condition that has recently been annoying the aircraft manufacturers has been the expansion of overtime work or increase in number of shifts. While the labor charges for such work are relatively simple, it is apparent that some provision should be made for accelerated depreciation on machinery and fixtures subject to two and three shift operation. Again the regulations state that "in making allowances for depreciation, consideration

shall be given to the number and length of shifts." But the burden of proof is up to the taxpayer. The Treasury has indicated a willingness to increase allowances for extra shift depreciation, but the majority of manufacturers are not equipped to distinguish between the obsolescence and usage factors of depreciation in such fashion that they can prove their point.

### Indirect Costs

We now come to the indirect costs of administration, including sales, service and engineering. The first item that confronts us is a long list of charges that are disallowed in computing contract costs. Some of these are: dues and memberships other than regular trade associations; donations, (except for local charitable or community organizations to the extent constituting ordinary and necessary business expense); extraordinary expenses due to strikes or lockouts; expense, maintenance and depreciation of excess facilities (including idle land and building, idle parts of a building, and excess machinery and equipment); Federal and State income and excess profit taxes; increases in reserve accounts for contingencies, repairs, insurance and guarantee work; cash discount earned up to 1 per cent of the amount of the purchase, except that all discounts on subcontracts will be considered; executive bonuses, defined as excessive or unreasonable payments in cash, stock or other property ostensibly as compensation for services; interest incurred or earned, (which places the small contractor who must borrow for advance purchase of materials at a disadvantage); bond discount or finance charges; legal and accounting fees in connection with reorganizations, security issues, capital stock issues, and the prosecution of claims against the United States; losses on investments; bad debts and expenses of collection. Most of you would consider many of the above items a reasonable part of your cost of operation which should be borne by sales, but Uncle Sam says "No."

### Selling Expenses

As far as selling expense is concerned, the government, after a considerable period of time during which selling expense was disallowed, has agreed to accept everything in normal selling procedure save entertainment expenses and minor considerations such as negotiation of foreign licenses. By service or guarantee expense is meant the servicing and repair of a product after it is in the hands of a customer. A guarantee period of six months following delivery is provided for during which the Army or Navy may require repair or replacement of any article considered defective. The regulations allow inclusion of either the actual or estimated figure for guarantee expenses in the report, but if the estimated figures be used, refunds or additional payments are required when the actual expenses are determinable.

### Engineering Expense

Engineering expense is the meatiest bone of contention between the Government and the contractor. For, in engineering expense, there is a large item, called variously experimental or development expense, that is necessary for the continued advance of the art and for the maintenance of the contractor in a position to bid on the latest service requirements. The allocation of a portion of this expense to one Vinson Act contract, or its proration over all government and commercial sales, presents the opportunity of several diametrically opposed, but equally well supported opinions. The regulations allow the entire cost of a development project to be charged on a contract only where there is no reasonable prospect of future sale for the type of article involved. In all other cases, the development expense should be charged off currently and a reasonable proportion will be allowed as a part of the cost of the contract. There is no definite wording in the regulations that would clarify the handling of this expense and no precedent for guidance.

### Date of Completion

Just a word on the credit side of the picture. All changes and deviations from the original contract act to modify the contract price. Likewise, penalties for failure to meet performance or delivery requirements and bonuses for bettering such requirements will be treated as an adjustment of the contract price. However, the amount of the original award is the governing factor, and penalties or deductions therefrom which bring the final price below $10,000 do not exempt the contractor from liability. A very important consideration is the date of completion of the contract. Shall this be the date of acceptance of the article or articles contracted for, the date of delivery, the date of invoicing, the date of final payment by the Government, or some other date that may be specified as completion of contract in the individual contract wording? The Government has held that the date of delivery shall be considered the date of completion regardless of any wording, actual or implied, in the individual contract. There is one exception; the date of completion may be determined jointly by the Secretary of the Navy, the Secretary of War and the Secretary of the Treasury, or their duly authorized representatives. It should be noted that spare parts, engineering data and drawings, which are specified under the contract but normally not delivered until some time later, determine the date of completion where applicable.

### Calculating Net Profit

And now we come to the most painful part of the whole procedure—calculation of the net profit. From the final adjusted contract price of all contracts completed in any one year, is deducted the total costs on the same contracts computed with the additions and exceptions noted above. The remainder is the net profit or net loss on all contracts completed within that year. An allowance of 12 per cent of the total contract prices is made for all contracts completed during the year 1939 and later. In the case of the Army, only contracts signed after April 3, 1939 are subject to the Vinson Act. For the Navy, all contracts completed during 1939 are subject to the 12 per cent profit limitation. A credit is allowed for the amount of Federal income taxes paid or remaining to be paid on the amount of excess profits for the particular year under consideration. The latest revisions to the Act affecting 1939 contracts also allow a net loss or deficiency of profit (less than 12 per cent net) to be carried forward as a credit against excess profits for the next four years. On contracts completed prior to 1939, the limitation applied to Navy contracts only and was 10 per cent net profit with a carry-over of but one year. No deficiency of profit was allowed.

# Latin American Survey

## Reports on Credits and Collections During First Half of 1940

By Kenneth H. Campbell, Manager Foreign Credit Interchange Bureau, N. A. C. M.

Credits and collections in 21 Latin American markets, and the British, French, and Netherlands possessions in the West Indies are generally mixed and show a state of flux, reflecting the effects of the European war on the economies of various Latin American countries, according to a survey of the members of the Foreign Credit Interchange Bureau of the National Association of Credit Men.

With the compilation of this survey Europe has been in a state of war for ten months, and it is evident that the loss of the normal European markets for Latin American primary exports is beginning to be felt by the countries concerned.

Although credit and collection conditions in this survey indicate a somewhat downward trend, American manufacturing exporters who are members of the Foreign Credit Interchange Bureau have not as yet adopted an ultra-conservative policy on the extension of credit to their regular established customers.

With the exception of two or three markets where for special reasons as will be noted below—not over 10% of the members replying indicated any reduction in terms.

Members will recall that the survey covering the last half of 1939 showed a decided improvement in credit conditions, although collections were slightly off. This improvement in credit conditions was maintained in some individual markets, while others showed a marked retrogression. There is a general downward trend indicated on the credit index with certain specific exceptions such as Cuba, Puerto Rico, Mexico and Paraguay, all of which show some improvement. Collection indices are mixed, reflecting a state of uncertainty.

### Collection Index Down

Several markets, namely, Colombia, Uruguay, Venezuela and Honduras registered rather precipitant declines on the collection index. Venezuela, while still remaining in the "Prompt" classification, dropped from second to seventeenth place, and Colombia moved from eighth place and a classification of "Prompt" at the end of 1939, to twenty-second place and a classification of "Slow" as of June, 1940.

More than two hundred American manufacturers located in all parts of the country, members of the Foreign Credit Interchange Bureau of the National Association of Credit Men, the majority selling in all of the markets surveyed, contributed information upon which this survey is based. The companies contributing information are exporting all types of manufactured products on terms ranging from S/D to 120 days D/D, and therefore, their combined experiences on current credit and collection conditions are of great value.

In compiling this survey, no consideration is given to the question of governmental debts or service obligations, and the classification of "Credit Conditions" refers to the situation within the various Latin American markets from the commercial point of view only, as judged by exporting American manufacturers. Comments made about "Credit Conditions" indicate the American manufacturers considered evaluation of the entire economic situation as it applies to a given country. Comments made by those replying to the survey under the general heading "Collection Conditions" may be considered as indicating the current trend based on the definite experience of American manufacturers having commercial collection items in the markets surveyed.

### Reduction of Credit Terms

In this survey, members were asked to indicate whether or not they had reduced their credit terms to prime credit risks in the various markets under survey during the past six months. In making their comments regarding terms of sale, members were requested to consider their normal shipments and their normal policy. We give you below the percentages of those making reductions, based on the number of members who reported as selling in each individual market. An analysis of replies received indicated that the terms of sale on a documentary basis granted by members replying ran up to 120 D/D as of January 1, 1940, depending upon the market, the customer's credit standing, and the product sold.

In view of the war situation it is to be considered a compliment to the reliable Latin American importers who have, for a great many years, been the loyal customers of American manufacturers, that the reductions of terms are so limited. Apparently, the American manufacturing exporters who are members of the Foreign Credit Interchange Bureau still feel that their reliable and well established connections in the various Latin American markets warrant all the consideration possible, a consideration to which they are entitled in view of their past performances.

In Argentina, 7% of those members who reported selling in this market reduced their terms to prime credit risks within the past six months; in Bolivia 10%; Brazil 10%; British possessions 20%; Chile 8%; Colombia 20% (many members who reported that they had reduced terms to this market indicated that they sold products in

classifications two, three and four of the Colombian Exchange Control); Costa Rica 3%; Cuba 6%; Ecuador 6%; French Possessions 23%; Guatemala 2%; Honduras 10%; Mexico 9%; Netherlands Possessions 18%; Nicaragua 9%; Peru 9%; El Salvador 5%; Uruguay 4%; Venezuela 6%, and less than 1% of those reporting indicated that they had reduced their terms in Dominican Republic, Haiti, Panama, Paraguay and Puerto Rico.

An examination of the new terms allowed by those members who reported that they did reduce terms indicates that so far as the British, French and Netherlands Possessions in South America are concerned these members have practically stopped the extension of credit, for the new terms are now cash in New York, cash in advance, cash with order or sight draft. There was only one case in each of these possessions showing new terms of 60 days reduced from 120 D/D.

In the Latin American countries, the new terms allowed by those who reported reductions are not so stringent, for in many cases time is still allowed, but reduced, e.g., from 120 D/D to 60 days, or from 90 and 60 days to 30 days. Some, however, reported that they had reduced their terms to these countries to S/D or Letter of Credit, with here and there cases indicating that cash in New York was demanded.

### Credit Conditions

The last half of 1939 showed a forward movement on the credit index on the part of fourteen countries. In the opinion of those members of the Bureau contributing information to this survey covering the first six months of 1940, twelve countries showed an improvement in the credit index, although in several instances this improvement was not enough to warrant the particular countries moving up to the next higher classification.

Eleven countries moved down on the credit index during the six months period under survey, and this downward movement in many instances was sharp. (One indicated no change.)

**GOOD:** *Argentina, Panama, Puerto Rico, Venezuela, British Possessions, Netherlands Possessions, and Cuba.*

Cuba is a newcomer to this group, moving up from its previous classification of "Fairly Good" six months ago. There has been some reshuffling in the credit index figure of the countries remaining in this group, and while four of them showed a reduction in the credit index figure, they still rate a "Good" classification.

**FAIRLY GOOD:** *Dominican Republic, Costa Rica, Mexico, El Salvador, Brazil, Peru, Guatemala, French Possessions, Paraguay, Colombia, Uruguay and Haiti.*

Brazil and Colombia are newcomers to this group, moving down from their previous classification of "Good" as of the end of 1939. This reflects the general slowness noted in these coffee producing countries which have lost their principal European markets. Paraguay showed the most marked advance on the credit index of any of the countries surveyed, moving into this group from its previous classification of "Poor." There has been some reshuffling in the relative position of five countries in this group. Five showed an improvement in the credit index figure on the current survey, and six showed a decline.

**FAIR:** *Chile and Ecuador.*

Both of these countries were in this classification in mid 1939, and at the end of that year. Chile showed a slight improvement on the credit index in this survey, while Ecuador showed a decline. However, both of these countries meet the qualification for this classification.

**POOR:** *Honduras, Bolivia and Nicaragua.*

All of these markets continued to show an improvement in the credit index, but none large enough to warrant their moving to the next higher classification.

### Collections

The survey on collections showed that the downward movement which was indicated slightly at the end of 1939 has become somewhat accelerated. Twelve markets showed a decline on the collection index, eleven an improvement, and one "No Change." Here again, with the exception of a pronounced improvement in collection conditions registered by Paraguay and Bolivia, the forward movement was nominal, whereas the decline in some cases was drastic.

**PROMPT:** *Panama, Netherlands Possessions, Puerto Rico, Mexico, El Salvador, Dominican Republic, Argentina, Guatemala, Costa Rica, Haiti, British Possessions, Cuba, Brazil, Peru, French Possessions, Paraguay, Venezuela, Uruguay and Ecuador.*

As of the end of 1939, twenty countries were in the "Prompt" classification. As of June 1940, nineteen countries are included in this classification, but there are many changes in relative position of the countries in this group on the collection index. An upward trend is noted in ten and a downward trend in eight. Paraguay moved forward to the "Prompt" classification from its previous classification of "Fairly Prompt."

**FAIRLY PROMPT:** *Chile and Bolivia.*

Chile has moved down from its previous classification at the end of 1939 of "Prompt" and Bolivia has moved forward from its previous classification of "Very Slow," making a decided improvement on the collection index.

**SLOW:** *Colombia and Nicaragua.*

At the end of 1939, Colombia was in the "Prompt" classification, but due to the situation that has developed in that market during the past few months, it is now classified as "Slow." Many who reported for this survey are selling merchandise in classes 2, 3 and 4 which may account somewhat for this sharp decline. Nicaragua apparently, has shown no improvement, in fact, collections are less prompt than six months ago when this market was classified as "Fairly Prompt."

**VERY SLOW:** *Honduras.*

Honduras has moved down from its June, 1939, classification of "Fairly Prompt" to "Slow" in December, 1939, and warrants a "Very Slow" classification in this survey.

The next survey will be made by the Foreign Credit Interchange Bureau as of January first 1941 and it will be interesting to note what changes have occurred by that time.

# Bad-Debt Loss Survey, 1939—Part I

## Wholesalers and Manufacturers

Prepared in the Credit Analysis Unit, Marketing Research Division, Bureau of Foreign and Domestic Commerce[1]


### SUMMARY

1. Compared with sales in 1938, net credit sales of reporting wholesalers gained 9 percent in 1939, with an 8.6 percent increase in total net sales. Reporting manufacturers' net credit sales advanced 12.4 percent in 1939, with total net sales moving up 11.4 percent from 1938. Credit sales were about 90 percent of total dollar volume in the samples of both wholesalers and manufacturers.

2. Net losses of reporting wholesalers averaged 0.31 percent of net credit sales in 1939, a decrease from 0.33 percent in 1938. Manufacturers' average net losses remained unchanged at 0.17 percent of net credit sales in both years.

3. In dollar volume, gross losses of wholesalers advanced one-half of 1 percent in 1939, recoveries decreased 5.9 percent, with resulting dollar volume of net losses 2 percent above those of 1938. Manufacturers' gross losses were up 7.2 percent in dollar volume in 1939, recoveries were down 10.2 percent, and net loss volume gained 10.8 percent from the 1938 volume.

4. The average wholesaler wrote off 2.79 percent of the total number of accounts receivable on his books in 1939, a decrease from 2.89 percent in 1938. The proportion for manufacturers decreased from 2.13 percent to 2.04 percent during the same period.

5. An age analysis of accounts written off indicates that in both 1938 and in 1939 less than 50 percent of wholesalers' accounts written off arose from sales of the current year. For manufacturers, not more than 35 percent of the write-off was allocated to sales of the respective years. These facts provide the basis for a fundamental criticism of present methods of loss-ratio computation.

6. Analysis of wholesalers' and manufacturers' credit terms in relation to magnitude of bad-debt losses gives evidence that the liberality of credit terms is a factor in higher losses. Credit management, however, is an important element in controlling losses, which need not rise in proportion to terms liberality if such terms are properly adapted to the appraisal of risk.


### SCOPE OF THE 1939 SURVEY

The 1939 annual Bad-Debt Loss Survey is based on voluntary reports submitted by 2,283 wholesalers, representing 26 major kind-of-business groups, and 1,493 manufacturing firms, covering 14 classified industrial groups. Compared with the first annual Bad-Debt Loss Survey made a year ago, the number of reporting wholesalers decreased 5 percent and of manufacturers 6 percent. In this study covering operations in 1938 and 1939, total net sales of the wholesale firms for 1938 were 10 percent lower than the dollar volume reported in the previous study for that year, at which point the two studies overlap with reference to basic figures. The reported volume of manufacturers' total sales was virtually the same for 1938 in both the first survey and the present report. The 1939 survey differs from the first of this series of studies, which presented comparative results for 1937-38, primarily in refinements of basic data for computation of bad-debt losses and in the extent of supplementary materials provided for additional analysis.

A fundamental change in the schedule forms mailed to wholesalers and manufacturers for the 1939 study was the request for separate figures on gross losses for 1938 and 1939, as well as the dollar amounts of recoveries during both years on accounts written off in prior years. These recoveries, or amounts debited to the bad-debt loss reserve or allowance, were desired for deduction from the reported gross amount of charge-off to assure the proper determination of net losses for the respective years. Recognizing the fact that samples for the 1938 and the 1939 studies may vary in composition, although not radically different in total number of firms reporting, it is nevertheless believed that a general lowering of loss ratios where both studies overlap on the year 1938 is due in some measure to this further refinement of the data.[2]

Although it was intended in both the 1938 and 1939 studies to secure the identical types of information on net credit sales, number of accounts written off as bad, and total number of accounts receivable of reporting firms, it is probable that with reference to the last factor an additional refinement of phraseology on the schedule for

[1] The collection, computation, and assembly of data for the 1939 Bad-Debt Loss Survey were carried through by Arnold L. Skinner, William N. Lawrence, and Guerry R. Smith, under the supervision of Malcolm L. Merriam, Chief of the Credit Analysis Unit. The National Association of Credit Men, at whose request this annual report was initiated in 1938, aided in outlining the project and in securing the cooperation of its members.

[2] Schedules for the 1938 annual Bad-Debt Loss Survey requested only "bad-debt losses written off" for that year and in 1937, on the apparent assumption that the terminology would automatically produce net-loss figures. Some doubt that this was entirely the case is indicated by the fact that the 1938 average loss of wholesalers for the first study was 0.37 percent of credit sales, compared with 0.33 percent for the same year as shown by comparative data in the 1939 study. For manufacturers, the comparable 1938 ratios for the first and second annual studies were 0.20 percent and 0.17 percent of credit sales respectively. It should not be overlooked, however, that although the samples of wholesalers and manufacturers showed respective decreases of only 5 and 6 percent from the first to the second study, there may have been wider changes in the samples according to the major factors which determine the magnitude of losses.

the 1939 survey provides the main reason for a further alteration of returns between the two studies for the overlapping year 1938. Specifically, because of different wording, it is believed that firms reported closer approximates of the total number of their accounts receivable for the 1939 study. For 1938, the present study shows a larger average number of accounts per firm, with the result that the amount of the average sales per account for that year is somewhat reduced in this analysis from the average for the same year given in the first annual Bad-Debt Loss Survey.[3]

Knowledge that the sale of time-payment accounts receivable on nonrecourse arrangements may distort bad-debt loss ratios of retailers, notably automobile dealers, prompted an inquiry in this study to determine whether such sales were of measurable importance in the credit operations of wholesalers and manufacturers. In other words, if receivables are sold to a specialized financing agency which assumes responsibility for loss through failure of the debtor, the bad-debt loss ratio of the seller of such receivables will be fictitious, if computed by the usual method of dividing dollar losses only on receivables retained, by the dollar amount of all credit sales, including sales representing the accounts sold. Schedules for wholesalers and manufacturers requested the amounts of receivables sold in 1938 or 1939 on arrangements relieving the seller of any liability in case of default by the debtor.[4] These amounts were intended for deduction from net credit sales of the respective years when calculating the loss ratios.

Results of this part of the analysis were largely negative, however. Only isolated firms in scattered business groups reported any sale of receivables, and the aggregate amount of receivables sold approximated only about one-tenth of 1 percent of the total credit sales reported by wholesalers and manufacturers for either year. What is probable is that the firms selling a large proportion of their receivables with full protection against loss did not contribute reports in representative numbers to this voluntary project. Presumably, they would secure little direct benefit by comparisons of their individual results with averages based upon operations of self-financing establishments.

Entirely new supplementary features of the 1939 Bad-Debt Loss Survey are (*a*) an age analysis of the accounts written off by reporting firms during both of the years covered and (*b*) an analysis of credit terms characteristically employed by wholesalers and manufacturers. The broad purpose of the age analysis was to determine what proportions of accounts debited to the bad-debt reserve in a particular year actually represent the charge-off of sales made in that same year, or relate to sales of the previous year and other prior years. As discussed in another section of the report, this distribution of the write-off of accounts has direct bearing upon present standard methods for computing loss ratios against credit sales of the current year only. Facts on credit terms to show cash discounts, time allowed to take the discount, and net period, although of interest in revealing typical trade practice, were collected primarily for the purpose of bringing out possible relationships between the range of such terms and bad-debt loss experience.

The contents of the present bad-debt loss study in several instances repeat the basic types of analysis which were found to produce significant relationships and were adequately reviewed in the study made a year ago. As these relationships, such as analysis of bad-debt losses by size of firm, would not change fundamentally in a short period, repetition is avoided wherever possible by confining the text to discussion of changes reflecting altered conditions in 1939 as compared with the previous year.

Owing to the large number of trades and industries covered in the report, discussion of each in close detail cannot be undertaken here. It is presumed that individual establishments obtaining the statistical data can readily segregate and apply the facts presented in the business or industry averages where they provide guides to credit policy.

### Credit Sales

As a basic element in the computation of bad-debt-loss ratios, it is of interest to note the general trend as well as the magnitude of credit sales reported by the samples of wholesalers and manufacturers. The dollar volume of total net sales of reporting wholesalers increased 8.6 percent from 1938 to 1939. As net credit sales increased 9 percent between the 2 years, the proportion of net credit to total sales for the identical group of firms rose slightly from 91.9 to 92.2 percent (table 1).

Manufacturers' total net sales in 1939 revealed a larger increase in dollar volume of 11.4 percent above 1938, while their net credit sales showed a gain of 12.4 percent in the 2-year period. The relative advance of reporting manufacturers' credit sales carried the proportion of such sales to total sales from 89.6 to 90.4 percent (table 2).

### Average Number of Accounts Per Firm and Average Credit Sales Per Account

For all reporting wholesalers, the average number of accounts per firm increased from 1,223 in 1938 to 1,256 in 1939. Because of the larger growth of wholesalers' credit sales over the same period, their average credit sales per account increased from $666 to $707 for the respective years.

The average number of accounts per firm for manufacturers revealed a much more substantial advance—from 2,560 in 1938 to 2,686 last year. Despite the relatively large increase in average number of accounts per manufacturing firm, average credit sales on such accounts also gained to $1,016 in 1939 from $949 in 1938.

Although these averages indicate the predominant trend in each case, wide variations in size and direction of change between kinds of business and industries are shown in detail in tables 1 and 2.

### Bad-Debt Losses

*Gross and Net Losses*

*Wholesalers.*—Computed from net-loss figures, the

[3] The 1938 Bad-Debt Loss Survey requested "approximate number of accounts receivable," whereas in the current study the question was worded "approximate number of firms (and/or individuals) to whom you sold on credit at any time * * * in [year]." The 1938 figure shown in the survey for that year disclosed manufacturers as averaging 2,221 accounts per firm, or an average credit sale per account of $1,024. Comparable figures for 1938 given in this study are 2,560 accounts per firm, with an average credit sale proportionately reduced to $949. For wholesalers, the 1938 averages from the first and second annual surveys on number of accounts are 1,111 and 1,223, with average size of account showing a corresponding decrease from $775 to $666.

[4] In answering this question, firms were requested to report "none" if no accounts were sold on this basis. It was also indicated that figures given should not include insured accounts pledged for loans or held by the reporting firm. Recoveries from bad-debt insurance were to be included, however, with all other recoveries from accounts written off in prior years, for the ultimate purpose of deduction from gross bad-debt losses during the year in which such recoveries were made.

average bad-debt loss of the 2,283 reporting wholesalers declined from 0.33 percent of net credit sales in 1938, to 0.31 percent in 1939. These ratios, however, conceal somewhat different changes in the various elements entering into their calculation. Gross bad-debt losses of reporting wholesalers advanced from $7,872,000 in 1938 to $7,907,000 in 1939, an increase of less than one-half of 1 percent. On the other hand, recoveries during the respective years on old accounts charged off in prior years were $1,735,000 in 1938 and $1,634,000 in 1939, a decrease of 5.8 percent.

Subtraction of recoveries from gross losses for each year gives a resulting net bad-debt loss for reporting wholesalers of $6,137,000 in 1939, an increase in the dollar volume of such net losses of 2 percent from 1938 to 1939. However, as net credit sales of wholesalers increased 9 percent between the two years, the loss ratios computed from these sales declined, as previously indicated.

Obviously the rate of loss for the year would have declined more substantially had the volume of recoveries not decreased from 1938. Several explanations are possible, but the larger volume of recoveries in 1938, when conditions were relatively adverse, may reflect a vigorous effort to clean up accounts which perhaps had been written off too hastily in more prosperous years.

Although showing an absolute decrease of almost 6 percent, wholesalers' recoveries in 1939 amounted to about 21 percent of gross bad-debt losses, only slightly less than the proportion for 1938. As shown in table 1, recoveries for the various kinds of business indicate that the highest average proportions of recoveries to gross losses were recorded by wholesalers selling more durable goods, such as surgical equipment and supplies, and paints and varnishes. The lowest proportions of recoveries were averaged by wholesalers selling less durable goods, such as beer and farm products.

The bad-debt-loss ratios by kind of business in table 1 indicate that represented in the slight decrease in the general average for all reporting wholesalers are scattered trades revealing no change in their loss ratios, as well as a number with an increased percentage of loss between the 2 years. The table also reveals a fairly wide range from highs of 0.69 percent for wholesalers of machinery, equipment, and supplies, and 0.59 percent for plumbing and heating supplies, to lows of 0.16 percent for heavy hardware wholesalers and 0.05 percent for retailer-cooperative wholesale grocers. Although neither the average number of accounts per firm, nor the percent of total accounts written off had any direct relationship to the bad-debt percentages, these figures should be useful to the individual credit man for comparative purposes.

*Manufacturers.*—Net bad-debt losses of reporting manufacturers averaged 0.17 percent of their net credit sales in 1939, representing no change from the loss ratio of the previous year. Thus the average manufacturers' loss per dollar of credit sales was roughly half the loss averaged by reporting wholesalers. Gross losses for the sample of 1,493 manufacturers advanced from $7,660,000 in 1938 to $8,214,000 in 1939. This increase of 7.2 percent was

**Table 1.—Proportion of Bad-Debt Losses to Credit Sales of Wholesalers, by Kinds of Business, With Summary of Related Information on Sales, Recoveries, and Number of Accounts, 1939 and 1938**

| Kind of business | Number of reports | Percent bad-debts to credit sales | | Net credit sales (000's) | | Total net sales (000's) | | Proportion of credit sales to total sales | | Average gross loss per account written off | | Proportion of recoveries to gross bad-debt losses | | Average credit sales per account | | Average number of accounts per firm | | Percent of total accounts written off | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1939 | 1938 | 1939 | 1938 | 1939 | 1938 | 1939 | 1938 | 1939 | 1938 | 1939 | 1938 | 1939 | 1938 | 1939 | 1938 | 1939 | 1938 |
| Automotive supplies | 156 | 0.53 | 0.68 | $29,360 | $26,513 | $35,885 | $32,842 | 81.8 | 80.7 | $42 | $46 | 18.3 | 18.8 | $274 | $262 | 686 | 648 | 4.24 | 4.84 |
| Chemicals (industrial) | 17 | .18 | .20 | 12,771 | 10,909 | 13,216 | 11,295 | 96.6 | 96.6 | 56 | 60 | 36.8 | 40.5 | 430 | 418 | 1,747 | 1,534 | 2.14 | 2.30 |
| Paints and varnishes | 28 | .34 | .27 | 19,791 | 18,464 | 21,587 | 20,323 | 91.7 | 90.9 | 67 | 68 | 50.8 | 62.9 | 367 | 351 | 1,927 | 1,879 | 3.71 | 3.82 |
| Clothing and furnishings (except shoes) | 40 | .32 | .32 | 23,409 | 22,390 | 24,066 | 22,980 | 97.3 | 97.4 | 102 | 101 | 13.1 | 11.7 | 625 | 612 | 937 | 915 | 2.23 | 2.19 |
| Shoes and other footwear | 34 | .33 | .41 | 54,524 | 50,956 | 54,614 | 51,065 | 99.8 | 99.8 | 193 | 217 | 23.6 | 23.4 | 802 | 750 | 2,000 | 1,998 | 1.82 | 1.86 |
| Coal | 9 | .18 | .11 | 14,212 | 12,065 | 14,452 | 12,243 | 98.3 | 98.5 | 320 | 259 | 10.3 | 22.9 | 2,358 | 2,264 | 670 | 592 | 1.51 | 1.26 |
| Drugs and drug sundries | 66 | .33 | .35 | 92,727 | 89,527 | 96,875 | 93,640 | 95.7 | 95.6 | 217 | 211 | 22.5 | 23.8 | 1,157 | 1,192 | 1,214 | 1,138 | 2.27 | 2.62 |
| Without liquor department | 51 | .28 | .31 | 65,689 | 63,442 | 68,423 | 66,058 | 96.0 | 96.0 | 192 | 199 | 24.5 | 27.7 | 1,133 | 1,125 | 1,137 | 1,106 | 2.21 | 2.41 |
| With liquor department | 15 | .44 | .46 | 27,038 | 26,085 | 28,452 | 27,582 | 95.0 | 94.6 | 277 | 238 | 19.2 | 16.5 | 1,222 | 1,393 | 1,475 | 1,249 | 2.42 | 3.25 |
| Dry goods | 108 | .27 | .31 | 113,340 | 101,757 | 116,438 | 104,651 | 97.3 | 97.2 | 127 | 127 | 25.7 | 27.4 | 566 | 518 | 1,853 | 1,819 | 1.61 | 1.77 |
| Electrical goods | 217 | .24 | .24 | 283,251 | 231,027 | 288,238 | 234,897 | 98.3 | 98.4 | 160 | 152 | 18.6 | 23.4 | 1,212 | 1,026 | 1,077 | 1,037 | 2.23 | 2.14 |
| Farm products (consumer goods) | 89 | .27 | .25 | 36,659 | 38,333 | 43,672 | 45,076 | 83.9 | 85.0 | 63 | 55 | 8.4 | 9.9 | 791 | 818 | 521 | 527 | 3.70 | 4.05 |
| Dairy and poultry products | 14 | .17 | .14 | 14,191 | 15,903 | 15,237 | 16,983 | 93.1 | 93.6 | 38 | 31 | 6.9 | 7.0 | 894 | 1,014 | 1,134 | 1,120 | 4.21 | 5.10 |
| Fresh fruits and vegetables | 75 | .34 | .32 | 22,468 | 22,430 | 28,435 | 28,393 | 79.0 | 79.0 | 80 | 73 | 8.8 | 10.7 | 738 | 719 | 406 | 416 | 3.43 | 3.52 |
| Furniture and home furnishings | 52 | .33 | .33 | 39,336 | 32,571 | 40,234 | 33,408 | 97.8 | 97.5 | 135 | 119 | 15.8 | 20.1 | 688 | 602 | 1,099 | 1,041 | 2.01 | 2.06 |
| Confectionery | 20 | .39 | .40 | 4,088 | 3,771 | 5,843 | 5,443 | 70.0 | 69.3 | 30 | 30 | 13.7 | 8.7 | 305 | 287 | 670 | 658 | 4.63 | 4.22 |
| Meats and meat products | 56 | .25 | .25 | 47,216 | 45,430 | 53,723 | 51,876 | 87.9 | 87.6 | 107 | 110 | 11.8 | 11.3 | 1,708 | 1,687 | 494 | 481 | 4.60 | 4.39 |
| Groceries and foods (except farm products) | 480 | .30 | .33 | 493,772 | 485,989 | 545,960 | 536,853 | 90.4 | 90.5 | 124 | 130 | 20.0 | 19.4 | 997 | 1,000 | 1,031 | 1,013 | 3.06 | 3.13 |
| Full-line wholesale grocers | 245 | .32 | .30 | 206,614 | 197,394 | 230,238 | 220,524 | 89.7 | 89.5 | 122 | 119 | 22.1 | 23.6 | 1,029 | 1,013 | 820 | 796 | 3.47 | 3.28 |
| Voluntary-group wholesale grocers | 119 | .33 | .39 | 186.781 | 188,793 | 204,633 | 205,071 | 91.3 | 92.1 | 174 | 185 | 20.2 | 18.4 | 1,016 | 1,021 | 1,545 | 1,554 | 2.39 | 2.63 |
| Retailer - cooperative wholesale grocers | 13 | .05 | .05 | 23,994 | 23,214 | 24,657 | 23,893 | 97.3 | 97.2 | 113 | 111 | 7.2 | 7.2 | 4,305 | 4,310 | 429 | 414 | 2.08 | 2.23 |
| Specialty-line wholesale grocers | 103 | .29 | .35 | 76,383 | 76,588 | 86,432 | 87,365 | 88.4 | 87.7 | 70 | 79 | 13.4 | 12.4 | 729 | 759 | 1,017 | 979 | 3.49 | 3.82 |
| Beer | 14 | .50 | .56 | 1,224 | 1,176 | 2,013 | 1,935 | 60.8 | 60.8 | 32 | 31 | 2.6 | 2.8 | 547 | 538 | 160 | 156 | 8.71 | 9.98 |
| Wines and spirituous liquors | 19 | .47 | .34 | 20,766 | 26,767 | 22,346 | 28,555 | 92.9 | 93.7 | 58 | 50 | 11.6 | 5.0 | 957 | 873 | 1,142 | 1,614 | 8.87 | 6.23 |
| Hardware group | 402 | .39 | .39 | 327,811 | 286,088 | 341,386 | 301,806 | 96.0 | 94.8 | 130 | 121 | 24.7 | 27.3 | 560 | 514 | 1,456 | 1,383 | 2.21 | 2.30 |
| General hardware | 132 | .35 | .41 | 176,383 | 162,626 | 183,899 | 170,367 | 95.9 | 95.5 | 130 | 131 | 28.6 | 26.0 | 569 | 542 | 2,350 | 2,271 | 2.14 | 2.30 |
| Heavy hardware | 29 | .16 | .26 | 19,437 | 14.560 | 19,869 | 15,010 | 97.8 | 97.0 | 84 | 87 | 36.6 | 22.5 | 528 | 401 | 1,269 | 1,251 | 1.54 | 1.58 |
| Industrial supplies | 153 | .40 | .29 | 82,854 | 69,037 | 86,380 | 72,621 | 95.9 | 95.1 | 102 | 73 | 17.4 | 27.1 | 473 | 428 | 1,146 | 1,053 | 2.25 | 2.33 |
| Plumbing and heating supplies | 88 | .59 | .54 | 49,137 | 39,865 | 51,238 | 43,808 | 95.9 | 91.0 | 207 | 205 | 21.7 | 32.1 | 779 | 677 | 717 | 669 | 2.83 | 2.61 |
| Jewelry | 36 | .50 | .71 | 18,461 | 16,341 | 19,671 | 17,485 | 93.8 | 93.5 | 185 | 240 | 20.6 | 18.8 | 243 | 217 | 2,111 | 2,091 | .83 | .80 |
| Lumber and building materials | 40 | .35 | .44 | 28,485 | 24,297 | 29,093 | 24,858 | 97.9 | 97.7 | 109 | 109 | 18.7 | 16.6 | 645 | 570 | 1,103 | 1,066 | 2.52 | 2.76 |
| Machinery, equipment, and supplies, except electrical | 65 | .69 | .85 | 24,099 | 22,596 | 25,245 | 23,592 | 95.5 | 95.8 | 124 | 143 | 15.6 | 21.4 | 492 | 461 | 754 | 754 | 3.26 | 3.45 |
| Surgical equipment and supplies | 32 | .18 | .08 | 6,990 | 6,274 | 7,801 | 6,992 | 89.6 | 89.7 | 33 | 27 | 56.2 | 78.9 | 223 | 209 | 979 | 937 | 2.80 | 2.95 |
| Metals | 20 | .22 | .30 | 24,357 | 17,925 | 24,456 | 18,023 | 99.6 | 99.5 | 138 | 145 | 13.2 | 14.8 | 745 | 576 | 1,636 | 1,555 | 1.39 | 1.39 |
| Paper and its products | 84 | .40 | .39 | 59,540 | 53,620 | 61,011 | 54,982 | 97.6 | 97.5 | 98 | 88 | 11.5 | 12.4 | 388 | 348 | 1,826 | 1,834 | 1.79 | 1.75 |
| Petroleum | 11 | .18 | .17 | 95,440 | 90,510 | 125,913 | 116,674 | 75.8 | 77.6 | 98 | 97 | 19.9 | 23.6 | 1,477 | 1,484 | 5,873 | 5,544 | 3.34 | 3.32 |
| Tobacco and its products | 120 | .19 | .23 | 91,660 | 86,195 | 116,753 | 110,840 | 78.5 | 77.8 | 30 | 32 | 14.7 | 12.4 | 549 | 542 | 1,392 | 1,324 | 4.11 | 4.34 |
| Leather and shoe findings | 11 | .54 | .37 | 1,864 | 1,929 | 1,911 | 1,988 | 97.5 | 97.0 | 58 | 48 | 18.1 | 27.1 | 304 | 314 | 558 | 558 | 3.45 | 3.36 |
| Miscellaneous | 57 | .33 | .39 | 60,482 | 55,751 | 64,643 | 59,277 | 93.6 | 94.1 | 26 | 26 | 14.1 | 10.9 | 341 | 307 | 3,108 | 3,188 | 5.02 | 5.06 |
| Total | 2,283 | .31 | .33 | 2,025,635 | 1,859,171 | 2,197,045 | 2,023,899 | 92.2 | 91.9 | 99 | 98 | 20.7 | 22.0 | 707 | 666 | 1,256 | 1,223 | 2.79 | 2.89 |

far in excess of the one-half of 1 percent rise in the gross charge-off reported by wholesalers.

In addition to the relatively large percentage increase in manufacturers' gross losses, their recoveries on accounts previously charged off were down 10.2 percent from $1,318,000 in 1938 to $1,183,000 in 1939, a percentage decline which also exceeded the 5.8 percent drop in wholesalers' recoveries over the same period. As shown in table 2, manufacturers' recoveries in proportion to gross losses averaged 17.2 percent in 1938 and 14.4 percent in 1939, or between 5 and 6 percentage points below the proportion of wholesalers' recoveries to gross losses in the same years.

Deducting recoveries from gross losses gives net bad-debt losses of reporting manufacturers totaling $6,343,000 in 1938 and $7,030,000 in 1939, a rise of almost 11 percent. The 12 percent increase in manufacturers' net credit sales, however, served to hold the loss ratio for 1939 to the previous year's figure.

It may be seen from table 2 that, while the average bad-debt-loss ratio for all reporting manufacturers remained unchanged in the past 2 years, loss percentages in many of the individual industries showed considerable change, with increases in some lines balancing decreases in others. The arrangement of broad industry groups according to losses sustained brings out no definite pattern with respect to durable and non-durable goods or other classifications of industry. The iron and steel industry was lowest, with losses of less than one-tenth of 1 percent, followed by the nonferrous metals, food, paper, and motor-vehicle parts industries. Highest losses were found in the printing and publishing, chemicals, and forest-products industries, which averaged losses of three-tenths of 1 percent, or more.

Including the subgroups, liquor manufacturers experienced the lowest relative loss in both 1939 and 1938. This may be due to the fact that many of their customers —distributors in those States governed by laws compelling wholesale sales for cash only—readily convert goods into cash which can be passed on to the producer, or it may result solely from the large size of their average account. Wineries, on the other (*Cont'd on P.* 36)

**Table 2.—Proportion of Bad-Debt Losses to Credit Sales of Manufacturers, by Industries, With Summary of Related Information on Sales, Recoveries, and Number of Accounts, 1939 and 1938**

| Industry | Number of reports | Percent bad-debts to credit sales | | Net credit sales (000's) | | Total net sales (000's) | | Proportion of credit sales to total sales | | Average gross loss per account written off | | Proportion of recoveries to gross bad-debt losses | | Average credit sales per per account | | Average number of accounts per firm | | Percent of total accounts written off | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1939 | 1938 | 1939 | 1938 | 1939 | 1938 | 1939 | 1938 | 1939 | 1938 | 1939 | 1938 | 1939 | 1938 | 1939 | 1938 | 1939 | 1938 |
| Food and kindred products, total | 373 | 0.14 | 0.12 | $1,210,888 | $1,149,917 | $1,344,873 | $1,274,216 | 90.0 | 90.2 | $78 | $68 | 11.3 | 15.9 | $1,152 | $1,130 | 2,818 | 2,729 | 2.35 | 2.46 |
| Confectionery | 168 | .19 | .21 | 228,237 | 219,398 | 240,696 | 232,377 | 94.8 | 94.4 | 55 | 60 | 15.3 | 15.8 | 487 | 487 | 2,788 | 2,683 | 1.94 | 2.00 |
| Flour, cereals, and other grain-mill products | 22 | .20 | .23 | 24,381 | 24,556 | 27,941 | 27,839 | 87.3 | 88.2 | 114 | 123 | 12.3 | 12.1 | 1,216 | 1,231 | 911 | 906 | 2.39 | 2.63 |
| Meat packing | 24 | .13 | .13 | 106,066 | 101,683 | 109,326 | 105,284 | 97.0 | 96.6 | 94 | 85 | 12.8 | 11.7 | 2,175 | 2,199 | 2,032 | 1,926 | 3.32 | 3.83 |
| Distilled liquors | 10 | .05 | .01 | 115,641 | 109,402 | 115,641 | 109,402 | 100.0 | 100.0 | 731 | 188 | 2.3 | 24.2 | 31,204 | 30,155 | 371 | 363 | 2.16 | 3.11 |
| Malt liquors | 20 | .27 | .17 | 79,681 | 74,842 | 87,268 | 80,001 | 91.3 | 93.6 | 113 | 97 | 15.4 | 27.5 | 1,667 | 1,790 | 2,390 | 2,090 | 4.78 | 4.39 |
| Wine | 19 | .72 | .93 | 12,349 | 12,552 | 13,112 | 13,488 | 94.2 | 93.1 | 144 | 173 | 7.2 | 5.7 | 1,071 | 1,043 | 607 | 634 | 5.79 | 5.91 |
| Other food products | 110 | .12 | .08 | 644,533 | 607,484 | 750,889 | 705,825 | 85.8 | 86.1 | 78 | 55 | 8.5 | 15.8 | 1,430 | 1,370 | 4,098 | 4,030 | 2.33 | 2.48 |
| Textiles and their products, total | 118 | .17 | .23 | 269,895 | 232,193 | 272,648 | 234,753 | 99.0 | 98.9 | 127 | 160 | 12.5 | 12.3 | 1,023 | 943 | 2,237 | 2,086 | 1.58 | 1.54 |
| Clothing, men's, except hats | 29 | .30 | .29 | 50,618 | 44,730 | 51,333 | 45,212 | 98.6 | 98.9 | 136 | 151 | 12.2 | 20.0 | 776 | 762 | 2,250 | 2,025 | 1.95 | 1.83 |
| Clothing, women's, except millinery | 20 | .26 | .32 | 20,124 | 18,314 | 20,139 | 18,337 | 99.9 | 99.9 | 92 | 113 | 11.8 | 13.5 | 414 | 403 | 2,430 | 2,275 | 1.34 | 1.32 |
| Knit goods | 12 | .17 | .22 | 28,006 | 24,911 | 28,322 | 25,190 | 98.9 | 98.9 | 103 | 104 | 17.6 | 13.7 | 801 | 738 | 2,915 | 2,813 | 1.62 | 1.83 |
| Other textile products | 57 | .12 | .20 | 171,147 | 144,238 | 172,854 | 146,014 | 99.0 | 98.8 | 142 | 209 | 11.6 | 7.8 | 1,487 | 1,333 | 2,019 | 1,898 | 1.46 | 1.39 |
| Forest products, total | 61 | .27 | .32 | 49,857 | 41,843 | 50,219 | 42,068 | 99.3 | 99.5 | 148 | 149 | 11.1 | 19.7 | 921 | 825 | 888 | 831 | 1.91 | 2.17 |
| Furniture | 33 | .27 | .36 | 27,048 | 22,955 | 27,113 | 23,011 | 99.7 | 99.8 | 139 | 149 | 11.0 | 14.5 | 679 | 614 | 1,207 | 1,133 | 1.47 | 1.74 |
| Lumber, timber, and other miscellaneous forest products | 28 | .28 | .26 | 22,812 | 18,888 | 23,106 | 19,057 | 98.7 | 99.1 | 160 | 149 | 11.2 | 27.2 | 1,593 | 1,420 | 512 | 475 | 3.13 | 3.37 |
| Paper and allied products, total | 82 | .12 | .15 | 229,004 | 206,793 | 229,187 | 208,170 | 99.9 | 99.3 | 121 | 133 | 19.8 | 17.7 | 1,504 | 1,463 | 1,857 | 1,724 | 1.85 | 2.05 |
| Paper: Writing, book, etc | 17 | .10 | .11 | 38,767 | 35,173 | 38,779 | 35,185 | 100.0 | 100.0 | 117 | 123 | 11.1 | 19.3 | 1,450 | 1,360 | 1,573 | 1,521 | 1.46 | 1.50 |
| Wax paper | 12 | .16 | .15 | 42,790 | 37,873 | 42,790 | 37,873 | 100.0 | 100.0 | 70 | 68 | 25.3 | 32.0 | 999 | 1,017 | 3,571 | 3,102 | 2.95 | 3.31 |
| Paper boxes and other paper products | 53 | .11 | .17 | 147,447 | 133,747 | 147,618 | 135,112 | 99.9 | 99.0 | 178 | 200 | 19.3 | 12.7 | 1,784 | 1,708 | 1,560 | 1,477 | 1.41 | 1.63 |
| Printing, publishing, and allied industries | 53 | .42 | .38 | 27,983 | 26,470 | 28,789 | 27,087 | 97.2 | 97.7 | 25 | 20 | 13.8 | 19.2 | 150 | 145 | 3,513 | 3,433 | 2.90 | 3.39 |
| Chemicals and allied products, total | 127 | .31 | .30 | 200,465 | 171,085 | 202,040 | 172,580 | 99.2 | 99.1 | 71 | 63 | 19.3 | 23.4 | 357 | 314 | 4,421 | 4,284 | 1.92 | 1.98 |
| Pharmaceuticals and proprietary medicines | 28 | .24 | .30 | 38,655 | 35,120 | 38,850 | 35,263 | 99.5 | 99.6 | 45 | 44 | 25.5 | 20.3 | 190 | 181 | 7,283 | 6,929 | 1.33 | 1.55 |
| Paints and varnishes | 62 | .57 | .45 | 55,127 | 48,245 | 56,486 | 49,581 | 97.6 | 97.3 | 127 | 106 | 15.9 | 28.2 | 458 | 422 | 1,940 | 1,843 | 2.46 | 2.49 |
| Other chemical products | 37 | .20 | .22 | 106,683 | 87,720 | 106,704 | 87,736 | 100.0 | 100.0 | 52 | 49 | 21.1 | 19.2 | 450 | 372 | 6,411 | 6,373 | 2.17 | 2.10 |
| Petroleum products | 19 | .24 | .21 | 433,527 | 425,902 | 693,746 | 689,633 | 62.5 | 61.8 | 66 | 60 | 18.7 | 17.8 | 588 | 607 | 38,785 | 36,925 | 2.65 | 2.60 |
| Rubber products | 13 | .14 | .25 | 19,321 | 15,879 | 19,519 | 16,028 | 99.0 | 99.1 | 109 | 155 | 12.8 | 12.6 | 1,111 | 964 | 1,337 | 1,266 | 1.65 | 1.81 |
| Leather and its products, total | 78 | .16 | .18 | 153,566 | 133,353 | 156,085 | 135,389 | 98.4 | 98.5 | 238 | 291 | 9.1 | 9.1 | 1,936 | 1,778 | 1,017 | 961 | 1.43 | 1.23 |
| Boots and shoes | 24 | .17 | .18 | 64,364 | 60,171 | 66,662 | 62,096 | 96.6 | 96.9 | 213 | 350 | 5.4 | 3.5 | 1,850 | 1,803 | 1,450 | 1,391 | 1.52 | .94 |
| Leather: Tanned, curried, and finished | 33 | .15 | .19 | 78,090 | 64,553 | 78,204 | 64,565 | 99.9 | 99.9 | 461 | 435 | 9.7 | 10.8 | 5,400 | 4,618 | 438 | 424 | 1.98 | 2.24 |
| Other leather products | 21 | .17 | .18 | 11,112 | 8,629 | 11,219 | 8,728 | 99.0 | 98.9 | 77 | 73 | 22.7 | 27.4 | 369 | 312 | 1,433 | 1,316 | 1.06 | 1.06 |
| Stone, clay, and glass products, total | 63 | .25 | .20 | 113,998 | 96,091 | 115,065 | 96,945 | 99.1 | 99.1 | 278 | 210 | 12.3 | 16.0 | 1,938 | 1,751 | 934 | 871 | 1.96 | 2.01 |
| Illuminating glassware (globes, shades, etc.) | 10 | .21 | .32 | 11,053 | 8,835 | 11,128 | 8,908 | 99.3 | 99.2 | 79 | 111 | 6.4 | 6.0 | 765 | 674 | 1,445 | 1,311 | 2.15 | 2.06 |
| Other stone and glass products | 53 | .25 | .19 | 102,945 | 87,256 | 103,937 | 88,037 | 99.0 | 99.1 | 352 | 242 | 12.8 | 17.5 | 2,320 | 2,089 | 837 | 788 | 1.90 | 2.00 |
| Iron and steel and their products, total | 147 | .09 | .08 | 374,672 | 288,269 | 377,634 | 289,631 | 99.2 | 99.5 | 199 | 152 | 19.6 | 30.2 | 1,587 | 1,315 | 1,606 | 1,491 | .90 | .99 |
| Hardware | 14 | .15 | .12 | 27,952 | 24,061 | 27,984 | 24,088 | 99.9 | 99.9 | 163 | 151 | 10.4 | 13.9 | 820 | 749 | 2,435 | 2.294 | .86 | .67 |
| Stoves, ranges, steam heating appliances | 22 | .25 | .28 | 26,502 | 23,936 | 26,631 | 24,070 | 99.5 | 99.4 | 157 | 152 | 29.9 | 29.1 | 784 | 737 | 1,536 | 1,477 | 1.78 | 1.91 |
| Other iron and steel products | 111 | .07 | .06 | 320,218 | 240,272 | 323,019 | 241,473 | 99.1 | 99.5 | 229 | 152 | 17.6 | 33.3 | 1,903 | 1,555 | 1,516 | 1,392 | .73 | .86 |
| Nonferrous metals and their products, total | 58 | .15 | .10 | 159,117 | 120,333 | 171,402 | 133,626 | 92.8 | 90.1 | 259 | 176 | 17.3 | 40.4 | 1,421 | 1,185 | 1,930 | 1,751 | 1.02 | 1.16 |
| Jewelry and jewelers' supplies | 28 | .16 | .06 | 54,762 | 44,941 | 65,951 | 57,855 | 83.0 | 77.7 | 269 | 192 | 27.7 | 73.1 | 1,596 | 1,354 | 1,226 | 1,186 | 1.34 | 1.59 |
| Other nonferrous metals | 30 | .15 | .13 | 104,355 | 75,392 | 105,451 | 75,771 | 99.0 | 99.5 | 253 | 162 | 9.9 | 8.8 | 1,344 | 1,103 | 2,588 | 2,278 | .88 | .95 |
| Machinery, not including transportation equipment, total | 200 | .19 | .24 | 660,204 | 567,745 | 671,901 | 576,794 | 98.3 | 98.4 | 319 | 349 | 11.4 | 13.0 | 2,012 | 1,855 | 1,641 | 1,530 | 1.33 | 1.48 |
| Electrical machinery, apparatus, and supplies | 90 | .09 | .12 | 453,383 | 390,003 | 462,709 | 397,428 | 98.0 | 98.1 | 276 | 301 | 17.9 | 21.1 | 2,551 | 2,372 | 1,974 | 1,827 | 1.04 | 1.16 |
| Other machinery, apparatus, and supplies | 110 | .39 | .51 | 206,821 | 177,742 | 209,192 | 179,366 | 98.9 | 99.1 | 350 | 384 | 7.7 | 8.4 | 1,374 | 1,256 | 1,368 | 1,287 | 1.67 | 1.84 |
| Motor-vehicle parts | 37 | .13 | .13 | 56,810 | 43,069 | 56,928 | 43,149 | 99.8 | 99.8 | 127 | 94 | 9.3 | 12.3 | 1,736 | 1,439 | 885 | 809 | 1.94 | 2.25 |
| Miscellaneous industries | 64 | .18 | .15 | 116,498 | 106,724 | 117,393 | 107,446 | 99.2 | 99.3 | 101 | 79 | 14.8 | 16.6 | 831 | 786 | 2,189 | 2,121 | 1.74 | 1.78 |
| Total | 1,493 | .17 | .17 | 4,075,805 | 3,625,666 | 4,507,429 | 4,047,515 | 90.4 | 89.6 | 100 | 94 | 14.4 | 17.2 | 1,016 | 949 | 2,686 | 2,560 | 2.04 | 2.13 |

# Report on Expenditure of Development Program Fund

## From Its Inception to April 30, 1940

By Henry H. Heimann, Executive Manager

**Amount of Subscriptions Received**
**Summary**
April 30, 1940

| | |
|---|---|
| Eastern Division | $100,258.82 |
| Central Division | 84,791.33 |
| Western Division | 38,663.33 |
| | $223,713.48* |
| Miscellaneous—unallocated | 39,500.00 |
| | $263,213.48 |

* Included in above are miscellaneous allocated subscriptions amounting to $4,385.00.

**Amount of Subscriptions Received by Cities**
April 30, 1940
**Eastern Division**

| | |
|---|---|
| Baltimore, Md. | $4,469.27 |
| Boston, Mass. | 3,446.25 |
| Binghamton, N. Y. | 625.00 |
| Hartford, Conn. | 240.00 |
| New York, N. Y. | 63,800.00 |
| Newark, N. J. | 1,300.00 |
| Norfolk, Va. | 215.00 |
| Philadelphia, Pa. | 1,445.00 |
| Pittsburgh, Penna. | 5,603.50 |
| Roanoke, Va. | 300.00 |
| Rochester, N. Y. | 8,395.40 |
| Richmond, Va. | 3,000.00 |
| Syracuse, N. Y. | 3,585.00 |
| Tampa, Fla. | 419.00 |
| Worcester, Mass. | 1,690.00 |
| Miscellaneous allocations, etc. | 1,725.00 |
| | $100,258.82 |

**Central Division**

| | |
|---|---|
| Chicago, Ill. | $11,662.50 |
| Cincinnati, Ohio | 6,592.00 |
| Cleveland, Ohio | 12,242.50 |
| Chattanooga, Tenn. | 2,067.50 |

**Summary of Expenditures**
**April 30, 1940**

| | Fiscal years ended April 30 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1937 | 1938 | 1939 | 1940 | Total | Percentage | Ratio Tangible | Ratio Intangible |
| Interchange, Group & Business Service | 640.60 | 14,136.93 | 19,021.37 | 14,704.04 | 48,502.94 | 23.6 | 23.6 | ... |
| Adjustments and Collection | 2,500.00 | 7,062.34 | 4,217.33 | 4,252.20 | 18,031.87 | 8.8 | 8.8 | ... |
| Education | .... | 5,729.35 | 9,372.87 | 9,475.68 | 24,577.90 | 11.9 | ... | 11.9 |
| Legislation | .... | 10,853.50 | 11,450.64 | 7,224.21 | 29,528.35 | 14.4 | ... | 14.4 |
| Sales and Promotion | .... | 28,188.91 | 32,617.04 | 7,437.51 | 68,243.46[1] | 33.1 | 17.6 | 15.5 |
| Washington Service Bureau | .... | 3,000.00 | 3,000.00 | 3,000.00 | 9,000.00 | 4.4 | ... | 4.4 |
| General and Miscellaneous | .... | 3,257.68 | 2,044.68 | 2,554.83 | 7,857.19 | 3.8 | ... | 3.8 |
| | $3,140.60 | $72,228.71 | $81,723.93 | $48,648.47 | $205,741.71 | 100.0 | 50.0 | 50.0 |
| Promotion expense in connection with raising the entire fund. Statements in detail as follows: | 14,990.80 | 10,913.63 | 948.35 | 3,377.27 | 30,230.05[2] | | | |
| | 18,131.40 | 83,142.34 | 82,672.28 | 52,025.74 | 235,971.76 | | | |

[1] In the early years of the Development Program fund additional personnel employed by some of the Departments were cleared through the Sales and Promotion account. Beginning in 1940, they were charged to the account representing the Department in which they were working.

[2] The acquisition cost covers all items of expense in connection with the raising of the fund. The cost of raising the Development Program fund was considerably lower than the cost incurred in raising the two Fraud Prevention funds.

| | |
|---|---|
| Columbus, Ohio | 770.00 |
| Dayton, Ohio | 530.00 |
| Detroit, Mich. | 11,920.00 |
| Green Bay, Wisc. | 735.00 |
| Grand Rapids, Mich. | 4,000.00 |
| Kalamazoo, Mich. | 750.00 |
| Knoxville, Tenn. | 825.00 |
| Lincoln, Nebr. | 1,615.00 |
| Louisville, Ky. | 3,433.33 |
| Lansing, Mich. | 595.00 |
| Milwaukee, Wisc. | 7,595.00 |
| Minneapolis, Minn. | 8,117.50 |
| New Orleans, La. | 4,250.00 |
| Omaha, Nebr. | 2,275.00 |
| Sioux City, Iowa | 390.00 |
| South Bend, Ind. | 1,200.00 |
| Sioux Falls, S. D. | 496.00 |
| St. Joseph, Mo. | 575.00 |
| Shreveport, La. | 290.00 |
| Miscellaneous allocations, etc. | 1,865.00 |
| | $84,791.33 |

### Western Division

| | |
|---|---|
| Bellingham, Wash. | $150.00 |
| El Paso, Texas | 930.00 |
| Portland, Ore. | 5,084.50 |
| Pueblo, Colo. | 97.50 |
| Phoenix, Ariz. | 465.00 |
| Salt Lake City, Utah | 3,100.00 |
| Seattle, Wash. | 7,736.33 |
| San Francisco, Cal. | 12,880.00 |
| Los Angeles, Cal. | 6,902.50 |
| San Diego, Cal. | 522.50 |
| Miscellaneous allocations, etc. | 795.00 |
| | $38,663.33 |

## DEPARTMENTAL SUMMARIES

### FORWARD

In making these summaries I would refer you for a more detailed list of accomplishments to the report made on April 30th, 1939, as published in Credit and Financial Management. The accomplishments indicated here constitute a thumbnail sketch and should be read in connection with the above mentioned report.

### Credit Interchange, Group and Business Service

1. Continued maintenance and development of Credit Interchange service on the Eastern Seaboard covering Baltimore, Richmond, Atlanta, New York City. The New York City operation includes Connecticut, Eastern New York State, New Jersey and eastern Pennsylvania.
2. Maintaining membership and usage of service by promotional and educational work largely made possible through the use of Development Program funds.

**Credit Interchange, Group and Business Service**
**April 30, 1940**

| | Fiscal years ended April 30 | | | | |
|---|---|---|---|---|---|
| | 1937 | 1938 | 1939 | 1940 | Total |
| Traveling | .... | 655.56 | 344.16 | .... | 999.72 |
| Stat. and Supp. | .... | 3.57 | .... | .... | 3.57 |
| Advertising | .... | 1,101.60 | .... | .... | 1,101.60 |
| Comm. Meetings | 640.60 | 1,075.18 | 1,320.55 | .... | 3,036.33 |
| Furn. and Fixt. | .... | 866.22 | .... | .... | 866.22 |
| Misc. outside Cent. Div. local offices and New England & Eastern Development | .... | 9,753.71 | 17,172.69 | 14,704.04 | 41,630.44 |
| N. A. C. M. Burden Charge | .... | 681.09 | 183.97 | .... | 865.06 |
| | 640.60 | 14,136.93 | 19,021.37 | 14,704.04 | 48,502.94 |

### Adjustment and Collections

1. Continued work on the unauthorized practice of law cases.
2. Continued legislative work in states where dangerous laws on Adjustment Bureau problems were pending.
3. Continued expanded services of Bureau inspection.
4. Continued work in connection with bankruptcy legislation and the new Chandler Act.

**Adjustments and Collections**
**April 30, 1940**

| | Fiscal years ended April 30 | | | | |
|---|---|---|---|---|---|
| | 1937 | 1938 | 1939 | 1940 | Total |
| Salaries | .... | 1,341.66 | 1,833.26 | 1,937.43 | 5,112.35 |
| Traveling | .... | 403.13 | .... | .... | 403.13 |
| Unauthzd. Prac. of Law | 2,500.00 | 4,450.05 | 1,407.14 | 1,827.89 | 10,185.08 |
| Comm. Meetings | .... | 185.02 | .... | .... | 185.02 |
| Prom. Material | .... | .... | 513.93 | .... | 513.93 |
| Taxes | .... | 46.50 | 76.01 | 77.52 | 200.03 |
| Miscellaneous | .... | .... | 3.60 | 22.81 | 26.41 |
| N. A. C. M. Burden Charge | .... | 635.98 | 383.39 | 386.55 | 1,405.92 |
| | 2,500.00 | 7,062.34 | 4,217.33 | 4,252.20 | 18,031.87 |

### Education

1. Increase of forty National Institute of Credit Chapters since the inception of the fund.
2. Institute registration increase of three hundred per cent.
3. Cooperation of Institute with 33 leading colleges and universities.
4. Plans for the establishment of 8 new Chapters during the coming year.
5. Development of closely knit Chapter organizations with excellent informal programs. Experimental work with graduate and senior classes. Maintenance of forums, particularly on the Chandler Act. Continued work with the U. S. Department of Commerce on the Annual Bad Debt Loss survey.
6. Thirteen women's groups offering annual Institute scholarships.

**Education**
**April 30, 1940**

| | Fiscal years ended April 30 | | | | |
|---|---|---|---|---|---|
| | 1937 | 1938 | 1939 | 1940 | Total |
| Salaries | .... | 3,596.16 | 5,626.74 | 6,449.09 | 15,671.99 |
| Traveling | .... | 1,010.64 | 1,112.53 | 872.53 | 2,995.70 |
| Tel. & Tel. | .... | 17.16 | 11.40 | 17.40 | 45.96 |
| Stat. and Supp. | .... | 152.31 | 421.69 | 253.39 | 827.39 |
| Postage | .... | 76.86 | 206.86 | 222.55 | 506.27 |
| Ins. and Bond | .... | .... | 45.88 | 42.84 | 88.72 |
| Advertising | .... | 13.33 | 56.66 | 120.00 | 189.99 |
| Furn. and Fixt. | .... | 176.80 | .... | .... | 176.80 |
| Taxes | .... | 126.67 | 225.10 | 257.97 | 609.74 |
| Miscellaneous | .... | 54.82 | 813.94 | 378.50 | 1,247.26 |
| N. A. C. M. Burden Charge | .... | 504.60 | 852.07 | 861.41 | 2,218.08 |
| | .... | 5,729.35 | 9,372.87 | 9,475.68 | 24,577.90 |

(*This report is continued on page* 30)

## Reorganizations Under New Bankruptcy Act

(*Continued from page* 14)

After filing its notice of appearance in a case, the staff of the Commission immediately proceeds to acquire all information which may later become useful in the formulation of a sound plan of reorganization. Legal and financial experts of the Commission consult with the trustee and his attorneys and outline the fields in which they can be of help. Experience indicates that trustees find it very helpful to discuss their problems with these experts.

On the whole, the Bar has found the Securities and Exchange Commission to be extremely helpful in reorganization proceedings. Its personnel, both in New York and Washington, has been very cooperative. By way of illustration: In the *Reynolds Investing Company* case, the accountants who had conducted an investigation for the trustees submitted a bill for services in the sum of approximately $14,000. The bill was submitted in good faith and the accompanying statement of the accountants indicated in detail the time spent and the services rendered. The trustees had no means of checking the value of the service rendered without employing other experts. Instead, the trustees requested assistance from the financial experts of the Commission. The Commission responded readily. As a result of discussion between the accountants and the Commission's experts, the accountants agreed to reduce their bill by some ten *per centum*. It should be noted that no question of padding, falsification or dishonesty was involved in this matter. It was merely a question of the reasonable market value of certain of the services rendered.

In various other directions—in determining upon a feasible financial structure for the reorganized debtor, in deciding upon the practice to be pursued or the form to be used at various stages in the proceedings, in valuing assets, and in innumerable other matters—the Commission has been helpful to trustees and parties in reorganization proceedings.

In its reports on plans, the Commission has firmly advocated that full recognition be given to senior claims or interests before any recognition is given to junior claims or interests.[51] It has consistently reported against the approval of plans which grant participation to junior claims if adequate provisions have not been made for the entire claims of senior interests.[52]

The representatives of the Securities and Exchange Commission have shown a commendable spirit of modesty regarding their opinions and a willingness to change when such opinions are shown to be erroneous or impractical. It is hoped that this spirit will continue and that a special effort will be made to overcome any inclination to become dogmatic as a result of accumulating experience.

[51] *In re* Detroit International Bridge Co., S. E. C. Corp. Reorg. Release No. 9 (1939), C. C. H. Bankr. Serv. ¶ 51,709; *In re* National Radiator Corp., S. E. C. Corp. Reorg. Release No. 10 (1939), C. C. H. Bankr. Serv. ¶ 51,960. See also Address by Frank, *supra* note 45, and Address by Panuch, *supra* note 45.

[52] *In re* Penn Timber Co., S. E. C. Corp. Reorg. Release No. 8 (1939), C. C. H. Bankr. Serv. ¶ 51,710; *In re* Griess-Pfleger Tanning Co., S. E. C. Corp. Reorg. Release No. 13 (1939), C. C. H. Bankr. Serv. ¶ 51,954; *In re* La France Industries, S. E. C. Corp. Reorg. Release No. 16 (1939). C. C. H. Bankr. Serv. ¶ 52,051.

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A new liquid cream which when applied to the legs makes it practically impossible to distinguish from real silk hose has been placed on the market.

## Short-Cuts in Routine of Billing Work

(*Cont'd from P.* 16) which are larger than would be indicated on the surface. Logotype keys, for example, are one way in which a short cut can be taken. Printing products and totals from single key depressions is certainly much quicker and easier than typing these amounts out one figure at a time. Even so small a factor as drawing the underscore line on a bill with one key-stroke plays an important part in setting up an efficient operation, for billing efficiency is largely based on production. Any factors which reduce the number of key-strokes required to write a bill increases production and accuracy correspondingly. Logotype and underscore keys and single-key balances are two examples of how our system saves time."

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## Improvement

An Australian, long resident in America, revisited his native country. Having business with a man on an upper floor of a Sydney building, he took the elevator to reach the office. The elevator was excessively slow and its snail-like progress annoyed the Americanized Australian. He turned to the other occupant.

"I think I could make a great improvement in this elevator," he said.

The Sydney man looked slightly interested.

"How?" he asked.

"Why," the other went on, "I'd make it go faster by a simple little arrangement. I'd stop the elevator altogether, and move the building up and down."

---

A friend of mine bought a gramaphone
For a dollar down and a dollar a week
This is the easiest graft I've known—
This dollar down and a dollar a week.
So he bought a chair and a fountain pen,
A runabout car and a stove and then
A set of "Lives of Our Famous Men."
For a dollar down and a dollar a week.
Then he bought two brand-new radio sets
For a dollar down and a dollar a week,
And a dozen cartons of cigarets
For a dollar down and a dollar a week.
Then he bought a ring that was fair to see
For the lily-white hand of his bride to be,
And after the wedding the minister's fee
Was a dollar down and a dollar a week.
And then he bought a house for his family
And then he got sick; the doctor's fee
Was a dollar down and a dollar a week.
Then said his wife, "I must be free,"
So she got a divorce and the alimonee—
Was a dollar down and a dollar a week!

—Anon

# Annual Report on Expenditures and Receipts on Development Fund

(*Continued from page* 27)

### Legislation

1. Concentration on number of important legislative matters, including the pending governmental study of the nation's bankruptcy system, the credit aspects of the railroad reorganization problem, the development of a nationwide program of tax legislation, and a general program to make more effective the Association's legislative activities.

**Legislation**
**April 30, 1940**

| | Fiscal years ended April 30 | | | | |
|---|---|---|---|---|---|
| | 1937 | 1938 | 1939 | 1940 | Total |
| Salaries ....... | .... | 5,473.37 | 7,080.00 | 4,361.58 | 16,914.95 |
| Traveling ..... | .... | 1,524.35 | 933.77 | 687.00 | 3,145.12 |
| Rent, Light, etc. | .... | 375.00 | 671.25 | 750.00 | 1,796.25 |
| Tel. and Tel... | .... | 359.20 | 332.00 | 165.07 | 856.27 |
| Stat. and Supp.. | .... | 741.29 | 350.54 | 176.69 | 1,268.52 |
| Ins. and Bond.. | .... | .... | 20.75 | 14.59 | 35.34 |
| Postage ....... | .... | 247.70 | 169.91 | 127.14 | 544.75 |
| Furn. and Fixt.. | .... | 426.80 | 61.10 | .... | 487.90 |
| Comm. Meetings | .... | 126.10 | 14.70 | 56.00 | 196.80 |
| Taxes ......... | .... | 171.26 | 283.20 | 174.42 | 628.88 |
| Miscellaneous .. | .... | 460.54 | 498.00 | 54.98 | 1,013.52 |
| N. A. C. M. Burden Charge .. | .... | 947.89 | 1,035.42 | 656.74 | 2,640.05 |
| | .... | 10,853.50 | 11,450.64 | 7,224.21 | 29,528.35 |

### Sales and Promotion

1. Increase in excess of 1,000 in national membership since inception of the fund.

2. Substantial quantities of literature have been made available and distributed to both members and prospective members.

3. Personal visits and assistance in organization, expansion, sales and promotional programs by National staff representatives to many local Associations throughout the country.

4. Over 200 pages of mimeographed sales suggestions and material developed and distributed to local Association sales personnel.

5. Rehabilitation of several small Association units.

**Sales and Promotion**
**April 30, 1940**

| | Fiscal years ended April 30 | | | | |
|---|---|---|---|---|---|
| | 1937 | 1938 | 1939 | 1940 | Total |
| Salaries ....... | .... | 12,646.19 | 18,091.27 | 3,903.50 | 34,640.96 |
| Traveling ..... | .... | 5,999.86 | 7,955.27 | 1,588.42 | 15,543.55 |
| Tel. and Tel. .. | .... | 189.80 | 28.37 | 3.05 | 221.22 |
| Stat. and Supp.. | .... | 228.48 | 261.61 | 225.34 | 715.43 |
| Postage ....... | .... | 383.05 | 436.91 | 244.41 | 1,064.37 |
| Insurance ...... | .... | .... | 43.71 | 36.01 | 79.72 |
| Prom. Material. | .... | 878.96 | 725.76 | 569.62 | 2,174.39 |
| Mthly. Bulletins | .... | 4,453.16 | 1,276.80 | .... | 5,729.96 |
| Taxes ......... | .... | 496.65 | 717.96 | 156.14 | 1,370.75 |
| Miscellaneous .. | .... | 350.73 | 114.20 | 34.86 | 499.79 |
| N. A. C. M. Burden Charge .. | .... | 2,562.03 | 2,965.18 | 676.16 | 6,203.37 |
| | .... | 28,188.91 | 32,617.04 | 7,437.51 | 68,243.46 |

### Washington Service Bureau

1. Continued operation of the Washington Service Bureau which, during the Association year 1939-40 rendered more than 2,000 separate services to Association members throughout the country. In addition to the normal usage of this service by members, the Bureau has been able, in recent months, to supply a great amount of prompt and valuable information to members concerning aspects of the national crisis and the Government Defense Program which touched upon credit conditions.

2. The completion of the Association's Report on Taxation, which was widely distributed and published throughout the country.

**Washington Service Bureau**
**April 30, 1940**

| | Fiscal years ended April 30 | | | | |
|---|---|---|---|---|---|
| | 1937 | 1938 | 1939 | 1940 | Total |
| Monthly allocation of $250, toward expense of Washington Service Bureau | .... | 3,000.00 | 3,000.00 | 3,000.00 | 9,000.00 |
| | .... | 3,000.00 | 3,000.00 | 3,000.00 | 9,000.00 |

### General Miscellaneous

Expanded work of coordination of all activities with particular emphasis upon more intensive public relations work. Added work on Credit and Financial Management.

**General Miscellaneous**
**April 30, 1940**

| | Fiscal years ended April 30 | | | | |
|---|---|---|---|---|---|
| | 1937 | 1938 | 1939 | 1940 | Total |
| Salaries ....... | .... | 851.36 | 883.38 | 1,600.08 | 3,334.82 |
| Traveling ..... | .... | 1,127.73 | .... | .... | 1,127.73 |
| Comm. Meetings | .... | .... | 594.26 | 198.32 | 792.58 |
| Stat. and Supp.. | .... | .... | .... | 117.30 | 117.30 |
| Furn. and Fixt.. | .... | 800.70 | 121.65 | .... | 922.35 |
| Postage ........ | .... | .... | .... | 42.54 | 42.54 |
| Legal & Audi'tg | .... | .... | .... | 300.00 | 300.00 |
| Taxes ......... | .... | .... | 35.32 | 63.96 | 99.28 |
| Miscellaneous .. | .... | 254.53 | 235.25 | .37 | 490.15 |
| N. A. C. M. Burden Charge .. | .... | 223.36 | 174.82 | 232.26 | 630.44 |
| | .... | 3,257.68 | 2,044.68 | 2,554.83 | 7,857.19 |

**Promotion Expense**
**April 30, 1940**

| | Fiscal years ended April 30 | | | | |
|---|---|---|---|---|---|
| | 1937 | 1938 | 1939 | 1940 | Total |
| Salaries ....... | 6,785.11 | 7,421.64 | .... | 2,356.25 | 16,563.00 |
| Traveling ..... | 5,082.35 | 1,631.85 | 118.86 | 810.13 | 7,643.19 |
| Tel. & Tel. .... | 19.35 | 13.41 | .... | .... | 32.76 |
| Stat. and Supp.. | 2,132.42 | 277.12 | 13.00 | .... | 2,422.54 |
| Postage ....... | 329.91 | 186.10 | 3.05 | .... | 519.06 |
| Insurance ..... | .... | 13.08 | .... | .... | 13.08 |
| Loc. Assns. Exp. | 578.67 | 1,165.85 | 812.52 | 103.64 | 2,660.68 |
| Taxes ......... | .... | 195.63 | .... | 107.25 | 302.88 |
| Miscellaneous .. | 62.99 | 8.95 | .92 | .... | 72.86 |
| | 14,990.80 | 10,913.63 | 948.35 | 3,377.27 | 30,230.05 |

### N. A. C. M. Burden Charge

One of the questions that arose early in the Development Program Fund investment was the subject of how to cover its administration costs. The General Development Program Committee decided after conferences with us that the best way to handle the burden of miscellaneous expenses shouldered upon the National office due to the Development Program was to allow a 10% administration charge. It was clearly stated at the committee meeting that this charge would not be adequate. However, in the interest of the conservation of the fund, and

for as long as it was possible for the National Association to do so, it agreed to absorb any excess thus limiting the so-called burden charge to 10%. The following items are covered in the 10% charge:

1. Rent in general except where added space has been specifically taken.
2. Light.
3. Janitor service.
4. All postage charges except where the individual mailing involves more than $1.00.
5. All telephone calls except specific long distance phone calls.
6. All telegraph charges except charges of $1.00 and over.
7. Messengers, office boy, mailroom expense.
8. Use of all typewriters and office equipment.
9. Casual clerical assistance and general clerical force not specifically working on Development Program.
10. Accounting and billing expense.
11. Stenographic expense of staff secretaries not assigned to specific Development Program Work.
12. Time and expense of Executive Manager and staff members in general direction of Development Program expenditures where not assigned full time to this work.

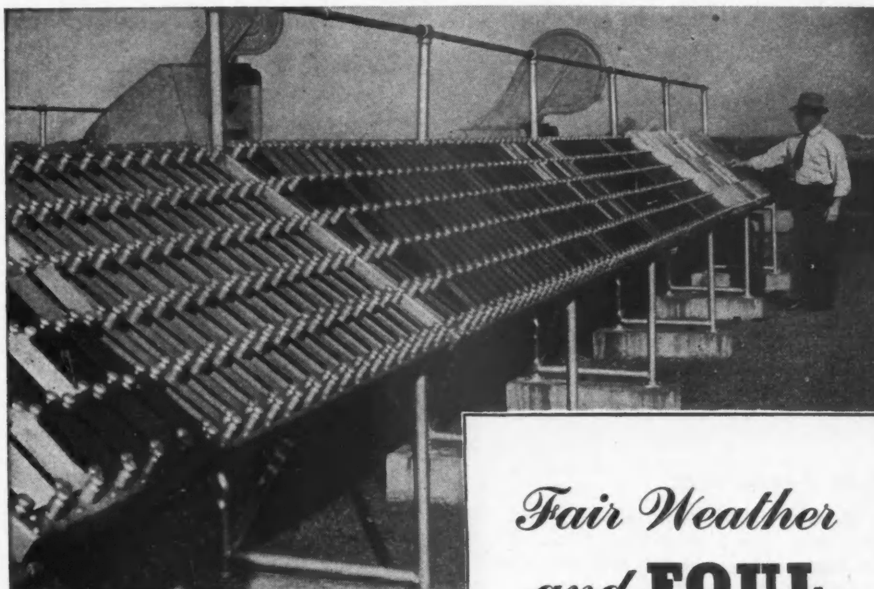
## The Legal Dilemma:

At an examination for admission to the Bar of Ohio, the examiner propounded this question, "A great many years ago there lived a gentleman named Lazarus who died possessed of chattels, real and personal. After this event, to whom would they go?" The student replied, "To his administrators and heirs." "Well, then," continued the examiner, "In four days he came to life again; inform us, sir, whose were they then?"

Which interesting inquiry we submit to the lawyers. I am not a lawyer but I see no difficulty in the inquiry. Lazarus died and was buried. Since he died, his property, as he left no will, invested in his heirs. The law gives no man the right to die for four days and then come to life again. Legally, Lazarus could not rise. I have no doubt the Supreme Court would decide that Lazarus who rose was not the Lazarus who died; he was a new Lazarus. The new Lazarus would of course feel within himself that he was the old Lazarus and go around bothering his legal friends talking about his legal wrongs; but every lawyer would leave him as quickly as possible saying in parting, "It's a hard case; but if your heirs can prove your death and they came in legally under the statute, there is no way to make them disgorge. All you can do it this—you're a young fellow, about sixty, hire about as a clerk, try to save something from your salary so as to go into business again. Building up a great estate and perhaps your heirs will recognize your identity.
—*Gleanings.*

## Cash preferred

The knot was tied; the pair was wed,
And then the smiling bridegroom said
Unto the preacher, "Shall I pay
to you the usual fee today,
Or would you have me wait a year
and give you then a hundred clear,
If I should find the married state
as happy as I estimate?"
The preacher lost no time in thought,
to his reply no study brought,
There were no wrinkles on his brow,
He said, "I'll take $3.00 now."



Various paints and finishes exposed to the elements on the roof of a research building

# NEWS ABOUT CREDIT MATTERS

## Youngstown's dean of "C" men active at 80

Active, healthy and the same pleasant person who appeared in these pages in the February, 1935, issue of "Credit and Financial Management," is Youngstown's dean of credit men and ardent national Credit Congress attender—Walter Lee Kauffman.

Although Mr. Kauffman retired from active duties with the Youngstown Sheet and Tube Company on Jan. 1, 1936, at the age of 75, he greatly enjoys his frequent visits back to his old desk at which the picture herewith was recently taken. And his thoughts concerning credit problems of today are remarkably clear for one who will be 80 on the 9th of this August. He still strongly maintains that any order is only a good order when it is finally paid and the transaction fully cleared.

## San Francisco:

D. M. Messer, Dohrmann Commercial Co., was chosen President of the Credit Managers Assn. of Northern & Central Calif. for the ensuing year at the recent election. He has been active for many years in various aspects of the Association's work. Serving with him are the following: *Vice Pres.*, C. H. Sondhaus, National Lead Co.; *Vice Pres.*, J. S. Ferns, Colgate-Palmolive Peet Co.; *Treas.*, J. F. Jensen, Golden State Co.; *Sec. - Mgr.*, O. H. Walker, Credit Managers Assn.

Directors are: J. H. Early, Truscon Steel Co.; F. H. Eichler, Federated Metals Division; K. L. Hampton, Valley Electrical Supply Co., Fresno; F. J. Hart, American Trust Co.; F. R. Haswell, A. Schilling and Co.; W. J. Hempy, M. Seller and Co.; A. I. Hermann, Union Lumber Co.; G. N. Lantz, Balfour Guthrie Co.; L. A. Miller, Macmillan Co.; E. M. Shapiro, California Packing Corp.; G. A. Van Smith, Pacific Box Corp.; R. I. Warren, W. P. Fuller Co., Sacramento.

Advisory Committee: E. E. Young, Leo J. Meyberg Co.; P. A. Pflueger, Max I. Koshland Co.; Eugene S. Elkus, Mangrum, Holbrook & Elkus Co.; D. I. Bosschart, Eng-Skell Co.; F. W. Black, Swift and Co.

The local Herd, ROZ, has continued regular meetings through the summer and at the Sept. meeting new officers will be elected. Initiation of new Herd members is scheduled for the first meeting in October.

## Credit Career

### Harry J. Offer

Harry J. Offer is one of the most loyal, hard working and best loved members of the Detroit ACM. His business career started in 1906 in the Customers' Accounts Department of The Detroit Edison Company. It was not easy to complete his education by part-time study, but in 1912 Mr. Offer was graduated from the Detroit College of Law and was admitted that year to the Michigan State Bar. He became Asst. Chief Clerk of his department and, in 1914, was made Chief Clerk of the company's Collection Bureau. During Mr. Offer's period of direction, the department has grown to 159 employees, including 50 outside collectors, 11 stenographers and typists, and legal staff. Credit files contain information on more than a half million names. During 1939 gross revenue was $59,600,000. Overdue bills in the amount of $4,737,000 were referred to the Collection Bureau; $4,548,000 was collected.

Mr. Offer's association record of service is an enviable one and an inspiration to others. He served four years on the Detroit Board of Directors. As 2nd Vice Pres. and Membership Chairman, he closed the year with a net gain. He was advanced to the office of 1st Vice Pres. of the Detroit Assn. and holds that office now.

At the Toronto Credit Congress he was endorsed by the entire Public Utilities Credit Group as a Director of the NACM and was elected for a term of two years. As Chairman of the Public Utilities Credit Group at the Credit Congress of Industry for two years, he was largely influential in an attendance at Grand Rapids in 1939 of 72 and at Toronto in 1940 of 85. His activity has brought memberships to other association cities in the Public Utility field.

Mr. Offer has taken enough time from his association work to rear six children, three boys and three girls. In addition to his other activities he has found time to act as a Director in his neighborhood Improvement Association and to learn how to be "mean competition" in golf and bridge.

## Position Wanted

*Credit and Office Manager; Accountant.* Extensive experience in economical office management. Credits, Collections, Financial Statements, and Taxes. Have done sales work. Can furnish excellent references. 37 years of age, married, now living in New York City. Will consider position anywhere. Moderate salary. John P. Viola, 446 Cyrus Place, Bronx, New York, N. Y. Tel. Raymond 9-1164.

*Credit, collection, office manager,* middle age, not subject to military service, open for permanent connection. Details as to experience, etc. upon request. Location immaterial. Address Box 81, Credit and Financial Management, One Park Ave., New York.

## Syracuse:

The above picture shows the Board of Directors of the local assn., recently chosen for the coming year. Syracuse, under the leadership of Pres. Cliff Heath, conducted a full program on July 12 when more than half of the membership joined for a visit through the plant of the Sealright Company of Fulton, N. Y., sanitary paper container manufacturers.

Following the visit a golf tournament was held at the Emerick Golf Course and in the evening a dinner at the Du Bois Hotel in Minetto. Outstanding in the forthcoming activities is the September Golf Tournament, for which many valuable prizes have been announced.

## Letters to the Editor

June 13, 1940

The Editor,
Credit & Financial Management,
1 Park Avenue,
New York, N. Y.

Dear Sir:

How far is the discount giving evil to be carried before something is done about it?

A salesman representing one of the largest and best known manufacturers had occasion to call at one of these "three-floors-up-and-save-50%" establishments recently and he found a rush of trade with a number of clerks busy writing up orders for customers who were practically waiting in line for their turn.

One customer was ordering every item she needed for the equipment of a small hotel. Bedding, furniture, crockery, rugs, curtains, the whole equipment from cellar to attic—every item purchased from sample or catalog description.

Not a hundred dollars worth of stock was carried in the rather limited quarters with the attendant investment and other expense.

The order when taken is sent direct to some supply house or manufacturer who shoulders all of the detail and financing of the sale. The point is that he fills the order and then frequently solicits the patronage of legitimate dealers in his wares having connived in sidetracking blank dollars of sales away from them.

An advertisement is appearing in a well known magazine which reads, "save up to 50% on your sporting goods at Blanks". Blanks stock one box of each kind of golf balls, one set of golf clubs, etc., but they will sell any one who takes the trouble to call at the office where he has desk room and little else, a set of nationally known matched clubs at 25% to 30% off the list price. The trade discount on these sets is 40%.

Such cases could be cited without end in all big cities and the gross sales for the year run into billions of dollars according to one article which was published on the subject.

There is only one way to stop such practices and the power rests with the manufacturers who wink at such transactions and the sooner they act the bet-



*When writing to advertisers please mention Credit & Financial Management*

ter for legitimate dealers and for the public as well.

The manufacturers give as their reason that if they don't do it some competitor will. This would seem to be a spineless attitude to take in view of the havoc which is being done to the dealers trade upon whom they rely to place advance stock orders, advertise and display their product and assume the expense of adequate quarters, experienced help and to pay their bills when due.

In the sporting goods industry where this evil is most pronounced and growing in volume, the practice could be stopped at once by a small group of outstanding manufacturers acting in concert and saying "NO". Their product cannot be sold by the discount-desk-room agencies without the permission of these manufacturers and the second and third flight manufacturers cannot offer products which are of equal quality and merit nor which are so well known and so much in demand.

In these days of dog eat dog commercially the sporting goods industry is changing rapidly because of the evils of price cutting and cries aloud for the manufacturers to take constructive action to stop fighting each other for volume without profit and do business on a constructive business basis.

It is a fact that the manufacturers realize the serious condition which exists and are looking for a remedy. Who will be the St. George of the Sporting Goods industry and win loyalty for their product as well as honor for their name by doing something definite and constructive.

The solution rests on one word "No"—and mean it.

Yours very truly,

Alex Taylor.

AT:BH



## Distribution Problems Affecting Credit

(*Cont. from P.* 7) the many fair trade laws of the several states. As I see it, the Robinson-Patman Act has not been universally applied and the administrators of this law appear to have preferred to take one industry at a time and apply its provisions as the circumstances warrant.

### Will Cash Discount Remain?

Your policy as it relates to trade and cash discounts in your own company deserves a careful and critical study. I will not attempt to go into the abuses and their correction because this subject has been exhaustively covered at many of our credit conferences and in our credit publications. I predict that if the Robinson-Patman Act and some of the state fair trade laws are universally applied and enforced, cash discount may ultimately be abolished. I do not want to go on record as making this a definite prediction, but in a number of lines of industry its abolition is a fact.

Many lines of business such as the supply and machinery line are either a prince or a pauper; when business is good profits are invariably above the average and when it is bad we just don't talk about it and muddle through as best we can. The prevailing tendencies toward inventory speculation and unsound competition, along with the laws which you have to deal with today mean that the peaks and valleys on the chart are going to be much larger. In order to keep a balanced production, sound distribution and a healthy financial picture your technique and initiative will be taxed to the limit.

In discussing the distribution and credit policies as I see them today I offer no panaceas for your consideration, as we are passing through a period of transition when many of these new laws directly affecting distribution and credit will have to be interpreted by the courts and applied to every-day business procedure.

We, as credit executives, can contribute a great deal to strengthen our distribution and credit system in meeting the changes brought about by these new distribution policies. It is within your power to apply the brakes to inventory speculation. Right now we are in an era where more than ordinary consideration should be given to these developments. We have the power to determine the amount of credit that is to be extended in each individual case. We likewise can inquire if receivables are hypothecated and if merchandise inventory is being pledged. Over a period of time it is within our reach to become familiar with many of the new laws which I have mentioned.

In conclusion I cannot too strongly emphasize that our distribution system and our credit structure are still based upon the three well-known fundamentals of character, capacity and capital. Your analysis and appraisal of today's distribution policies must at all times take into account these three cardinal principles as well as the historical, legal and economic aspects.

## New Books on Business

CANADIAN INVESTMENT AND FOREIGN EXCHANGE PROBLEMS. Edited by J. F. Parkinson. The University of Toronto Press, Toronto, Can. $3.00.

**Credit executives, both Canadian and American, realize now more than ever before—following the recent International Credit Congress in Toronto—the close affinity of Canadian and American business relationships. They will be interested, therefore, in this recent publication bearing on foreign exchange and investment matters from the Canadian standpoint. The first nine chapters, of the series of 22 written by various experts in the fields covered, deal with foreign exchange and, consequently, will be of particular interest to our readers who are export credit managers. Among the subjects covered in this section are the following: the foreign exchange market in Canada, Canada's international accounts and the foreign exchanges, financing Canada's international trade, the end of the gold standard, The Bank of Canada, the foreign exchange rate and the mechanism of international adjustment (with special reference to the Canadian dollar), the purposes of foreign exchange control in Canada, regulations and practices of the Foreign Exchange Control Board, and Canadian dollar and capital movements.**

# Commerce Editor Points to Soundness of Insurance in British Companies

*(From Journal of Commerce, July 26, 1940)*

**Foreign Insurance Company Branches**

Since the outbreak of the war in Europe, some Americans who have policies in United States branches of European companies have become uneasy about what would happen to their insurance in the event that Germany should win.

Most of these United States branches are established in New York State and subject to its laws. Superintendent of Insurance Louis H. Pink has explained time and again that these branches are virtually New York companies. They have deposit capital meeting the minimum requirements for American companies. Their liabilities are computed in the same way as are those of American companies. They are regularly examined by the New York Insurance Department. They are obliged to keep in the hands of United States trustees approved assets at least equal to their liabilities. Under the deeds of trust and under the laws of New York, the trustees are not permitted to release funds without the approval of the Superintendent of Insurance.

United States branches of British fire, marine and casualty companies constitute the large majority of foreign branches with which the public deals directly. Foreign life companies doing business here are almost exclusively Canadian institutions. Most of the United States branches of companies of other foreign companies do a reinsurance business.

Policyholders of United States branches of foreign companies have no occasion for alarm, or even uneasiness, because of events in Europe. These branches of British companies, for the most part, have been doing business for many years. Many of them were here in 1871 and weathered the Chicago conflagration, as they have every conflagration since that time. They have paid their losses honorably and in some cases with marked liberality to claimants.

They have built up splendid agency plants, have followed ethical practices, have spent millions here in salaries, rents, taxes and other expenses and contributed their full share to all loss prevention services. Most of them have made profits, as they were entitled to do, and the companies which own them have taken part of those profits and left the remainder in the hands of the United States trustees for the greater protection of American policyholders.

Underwriting by the United States branches of the British companies has generally been conservative. They have on their books a vast volume of carefully selected business. They face no greater probability of excessive losses than do other well conducted companies.

## Haight presides at foreign trade parley

San Francisco—On the occasion of the 27th annual National Foreign Trade Convention, sponsored here by the National Foreign Trade Council, the Foreign Credit Interchange Bureau of the NACM was in charge of the Tuesday, July 30, session on foreign credit, collection and exchange problems. P. M. Haight, Sec.-Treas., International General Electric Co., New York, and past Pres., NACM, was Chairman of the session and K. H. Campbell, Manager, F.C.I.B., N. Y., was Sec.

# Bad Debt Loss Survey

(*Continued from page* 25)

hand, had the highest bad-debt-loss ratios in both years.

Credit managers may find helpful, for purposes of individual comparison, the figures in table 2 showing, by industries, the proportion of credit sales, average number of accounts per firm and proportion written off, average gross loss per account written off, and proportion of recoveries to gross losses.

Recoveries made by manufacturing jewelers are noted as extremely high, averaging over the 2-year period about 50 percent of the amounts written off as bad, while the average manufacturer of boots and shoes recovered only 4½ percent of the gross charge-off over the 2-year period. As previously noted, the average recovery for all manufacturers was 14.4 percent of the gross charge off in 1939 and 17.2 percent in 1938.

**(Editor's Note: Part II in the September issue will present an Analysis of Losses by Size Factors and Age Analysis of Accounts written Off.)**

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# Shows Retailers How to Keep Credit Losses Low

We are indebted to S. W. Ellington, Credit Manager, National Paint and Varnish Co. for the following excerpt of a recent bulletin to the retail customers of his company on the subject of "How to Reduce Credit Losses" Mr. Ellington gives the following six pertinent points on "How to accomplish this important situation":

*First:* There must be a *complete* application.

*Second:* Explain (and be sure the customer understands) the credit terms. Right here is where you can avoid collection difficulties in the future. Also an account promptly paid is open for more purchases. In addition you will create goodwill, as a painter will know what is expected of him, and will not feel resentful if asked to adhere to terms already fully understood and agreed upon. To build an understanding and respect for credit in the customers mind, at this time, will be a lasting influence for the good of the customer and retailer. A Point sometimes overlooked, but which, if kept in mind, will help greatly, in a proper attitude, is that in purchasing on credit the customer is in the same position as if he were borrowing your firm's money. Should this person be borrowing, say $50.00, what would I want to know, especially if he wanted to borrow my money.

*Third:* Let there be an understanding between the store manager and the credit seeker as to the amount of monthly credit desired. This will serve as a guide in putting a limit on the account. A limit should be placed on the ledger sheet in each instance to serve as a guide in authorizing charges as purchases are made. With this system the manager has an opportunity to notify the customer when that amount has been exceeded. You will find this a big help where there is a lack of judgment on the customer's part in over-buying.

*Fourth:* Always purchase a Credit Bureau Report from your local credit reporting agency. Keep these in a file so that they can be referred to from time to time.

*Fifth:* At this time you will find the necessity for refusing an open account to those who fail to measure up to the store's credit policy. In these cases you will find Form #121 (supplied by Mr. Ellingson's Company) a great help in selling paint on a job basis. Care must be taken to investigate the home owner in these cases, and a Credit Bureau Report should be purchased to learn his qualifications.

*Sixth:* After you have obtained the credit report and it shows that a customer has been somewhat slow, although not bad enough to refuse, there should be a second understanding as to terms.

Analyze your credit report again and place the limit on a ledger sheet. The limit will be ascertained by the amount you feel a customer can pay monthly. You will find times when a credit limit will have to be changed after a customer's paying policy has been determined. Very often it may be raised or changed to a straight C.O.D. account. Changing conditions will necessitate frequent re-rating of old accounts.

There should be a definite date when an account will be determined past due. It is necessary that this date be consistent with the terms outlined at the time the account was opened.

If previous paying habits of the customers have been slow (your credit report will show this) and their payments are out of line, the collection effort should begin immediately.

On dangerous accounts do not fail to call on the customer immediately or call the factory office for their assistance.

A loose collection procedure should never follow sound credit extension, just as a weak credit acceptance will back down any chance for sound collection methods.

A definite date should be determined when past due accounts are terminated, and further charging of purchases refused. This can cover a period of as long as one to four months, depending, of course, upon the circumstances.

Rules for collection are mentioned as follows:

Use sales methods in collecting your accounts.

Be prompt in starting and persistent following up your collection efforts.

Don't ask for the sympathy of your creditor, nor be afraid to ask for money justly due. Never threaten without full intention of carrying it out.

Cooperate with customers. It costs money to develop new ones. Most business emanates from customers who have already purchased from you.

The collector who makes the loudest noise most often is the first one paid.

Accounts three months past due are 85% collectible.
Accounts four months past due are 60% collectible.
Accounts six months past due are 50% collectible.
Keep these figures in mind when going over your books.

If you will practice the foregoing principle you can be assured that your Bad Debt Losses will be 1% or less.

Yours very truly,
S. W. Ellingson, *Credit Manager.*

# The Business Thermometer:

## Prepared monthly by the Bureau of the Census, Department of Commerce, in cooperation with the National Association of Credit Men

Twenty-four of the thirty-six selected industries for which data are separately shown recorded an increase in sales over June, 1939, while twelve showed a decrease. An increase over last year of more than 30 percent was shown by four industries. These were wine, 87.4 percent; distilled liquors, 77.9 percent; other iron and steel products, 35.5 percent; and paper, writing, book, etc., 31.6 percent. Increases in other industries range from 28.5 percent for miscellaneous industries to 0.1 percent for paints and varnishes. The largest relative decline, 23.7 percent, was shown by the boot and shoe industry.

During the first six months of 1940 reports furnished by 1,535 manufacturers showed increases in sales over the same period for 1939 in thirty of the thirty-six industries, while six reported a decrease. The greatest relative improvement was shown by manufacturers of other iron and steel products; other machinery, apparatus and supplies; electrical machinery, apparatus and supplies and motor-vehicle parts with increases of 34.4 percent, 32 percent, 29.1 percent, and 27.6 percent, respectively. Following closely were other non-ferrous metals, 26.6 percent; wine, 21.2 percent; paper, writing, book, etc., 20.4 percent; and stoves, ranges, steam heating apparatus, 20 percent.

Sales are shown as reported, no adjustment being made for seasonal variation. Figures on accounts receivable and collections are also presented in the table below.

### Wholesale Trade Up 6.1%

Sales of wholesalers, based upon reports from 2,971 firms representing all parts of the country, were 6.1 percent greater in June than during the same month a year ago. The spread between the monthly data for this year and last has decreased in the last three months, June showing less improvement over last year than any month in 1940 except March. This is further emphasized by the fact that sales for the year-to-date were 7.7 percent over those for the first half of 1939, compared with the smaller increase of 6.1 percent in June.

In connection with this monthly joint study of the National Association of Credit Men and the Bureau of the Census, these wholesalers reported dollar sales amounting to $221,460,000 in June. These sales were 2.0 percent below May, 1940. This is the largest May to June decrease exhibited by this series in the five years covered by the survey. Sales are shown as reported without adjustment for seasonal or price fluctuations.

For the first half of 1940, 34 of the 36 kinds of business for which data are shown in the table on page 2, reported sales to be higher than for the first 6 months of 1939. Only two recorded decreases. The six-months data show heavy hardware, petroleum, industrial supplies, electrical goods and metals to be the sales leaders, a trend indicated by the monthly data in previous issues of this report.

## MANUFACTURERS' sales and collections on accounts receivable, March 1940

| Industry | Dollar Sales | | | | Sales For 6 Mos. 1940 | | | Collection Percentages* | | | | Total Accounts Receivable | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of firms | Percent change June 1940 from June 1939 | Percent change June 1940 from May 1940 | June 1940 (000's) | Number of firms | Percent change from 6 Mos. 1939 | 6 Mos. 1940 (000's) | Number of firms | June 1940 | June 1939 | May 1940 | Percent change June 1, 1940 from June 1, 1939 | Percent change June 1, 1940 from May 1, 1940 | As of June 1, 1940 (000's) |
| Food and kindred products | | | | | | | | | | | | | | |
| Confectionery | 210 | + 1.6 | —16.1 | $12,507 | 201 | + 6.3 | $98,130 | 118 | 116 | 118 | 132 | +11.4 | — 6.9 | $7,563 |
| Flour, cereals, and other grain mill products | 30 | + 3.9 | —14.7 | 6,286 | 29 | +11.7 | 41,128 | 26 | 118 | 152 | 147 | +34.0 | +14.6 | 4,873 |
| Meat packing | 23 | — 5.5 | +14.2 | 10,639 | 22 | — 1.9 | 56,457 | 22 | 173 | 204 | 176 | + 4.2 | +17.1 | 5,722 |
| Distilled liquors | 13 | +77.9 | +29.7 | 11,904 | 11 | +19.8 | 55,420 | 12 | 64 | 56 | 76 | — 7.1 | — 1.1 | 14,120 |
| Malt liquors | 38 | + 7.9 | +15.8 | 15,975 | 26 | + 5.0 | 50,684 | 23 | 165 | 170 | 158 | + 6.8 | +16.3 | 8,462 |
| Wine | 22 | +87.4 | +87.7 | 1,990 | 21 | +21.2 | 7,234 | 15 | 62 | 64 | 61 | + 7.0 | + 5.6 | 1,691 |
| Other food products | 122 | + 0.6 | — 5.3 | 45,168 | 115 | + 5.5 | 277,334 | 104 | 117 | 131 | 130 | +13.2 | + 2.3 | 32,202 |
| Textiles and their products | | | | | | | | | | | | | | |
| Clothing, men's, except hats | 30 | —16.8 | —25.5 | 3,246 | 28 | +13.1 | 26,150 | 27 | 56 | 59 | 43 | +16.6 | —15.9 | 9,221 |
| Clothing, women's, except millinery | 23 | — 9.8 | —18.8 | 1,257 | 23 | + 2.5 | 9,805 | 22 | 76 | 75 | 75 | — 2.8 | —13.7 | 2,036 |
| Knit goods | 10 | —11.7 | —25.5 | 1,860 | 10 | — 1.9 | 12,940 | 10 | 71 | 71 | 71 | — 3.4 | — 0.2 | 3,213 |
| Other textile products | 58 | — 7.0 | — 2.2 | 17,363 | 58 | + 8.5 | 112,684 | 57 | 75 | 82 | 76 | +11.7 | — 4.0 | 23,317 |
| Forest products | | | | | | | | | | | | | | |
| Furniture | 35 | + 7.0 | — 4.8 | 2,764 | 33 | +16.0 | 16,006 | 34 | 56 | 57 | 57 | +19.3 | + 0.3 | 4,908 |
| Lumber, timber, and other miscellaneous forest products | 31 | +12.0 | — 8.9 | 2,877 | 30 | +23.6 | 16,137 | 29 | 91 | 91 | 95 | +16.1 | + 7.9 | 3,028 |
| Paper and allied products | | | | | | | | | | | | | | |
| Paper, writing, books, etc. | 24 | +31.6 | + 4.4 | 4,216 | 24 | +20.4 | 22,772 | 17 | 81 | 84 | 83 | +36.3 | + 8.7 | 4,495 |
| Paper, wax | 15 | +13.4 | + 4.7 | 4,523 | 14 | + 7.5 | 23,525 | 12 | 104 | 110 | 107 | +12.7 | + 8.8 | 3,403 |
| Paper boxes and other paper products | 53 | +24.7 | + 2.0 | 10,567 | 52 | +16.6 | 57,145 | 51 | 104 | 104 | 107 | +20.7 | + 7.0 | 9,782 |
| Printing, publishing, and allied industries | 63 | + 3.9 | —12.0 | 2,393 | 59 | + 6.9 | 15,077 | 59 | 69 | 72 | 75 | + 5.3 | + 0.6 | 3,903 |
| Chemicals and allied products | | | | | | | | | | | | | | |
| Paints and varnishes | 62 | + 0.1 | —12.1 | 4,712 | 59 | + 4.6 | 25,522 | 58 | 60 | 61 | 61 | + 3.4 | + 5.4 | 10,264 |
| Pharmaceuticals and proprietary medicines | 25 | — 5.9 | — 1.8 | 2,012 | 25 | — 7.8 | 13,289 | 22 | 57 | 63 | 61 | —10.2 | — 5.3 | 3,285 |
| Other chemical products | 37 | +16.5 | + 0.6 | 10,246 | 37 | +12.5 | 57,789 | 32 | 87 | 82 | 87 | + 8.0 | + 4.0 | 11,089 |
| Petroleum | 15 | + 4.9 | — 2.5 | 42,412 | 15 | +11.6 | 261,896 | 13 | 104 | 106 | 111 | + 5.6 | — 5.9 | 26,186 |
| Rubber products | 13 | +10.0 | — 4.6 | 1,750 | 13 | + 6.4 | 9,830 | 12 | 74 | 69 | 77 | +12.4 | — 7.0 | 2,340 |
| Leather and its products | | | | | | | | | | | | | | |
| Boots and shoes | 36 | —23.7 | —11.5 | 9,581 | 36 | — 2.5 | 79,623 | 32 | 52 | 54 | 52 | — 5.9 | —16.3 | 24,141 |
| Leather: tanned, curried, and finished | 37 | —14.0 | — 3 4 | 5,887 | 37 | — 0.1 | 36,772 | 32 | 90 | 88 | 93 | + 8.6 | + 5.2 | 6,100 |
| Other leather products | 22 | — 6.1 | —17.4 | 942 | 21 | +10.9 | 5,795 | 20 | 88 | 88 | 86 | +12.7 | — 2.7 | 1,190 |
| Stone, clay, and glass products | | | | | | | | | | | | | | |
| Illuminating glassware** | 9 | —17.8 | — 1.2 | 327 | 9 | — 2.6 | 2,129 | 6 | 71 | 74 | 81 | —10.3 | — 8.3 | 322 |
| Other stone, clay, and glass products | 50 | + 7.1 | — 1.6 | 11,366 | 50 | +10.5 | 57,656 | 49 | 83 | 87 | 86 | +17.1 | + 7.5 | 13,485 |
| Iron and steel and their products | | | | | | | | | | | | | | |
| Hardware | 17 | — 0.3 | + 1.0 | 2,780 | 17 | + 5.3 | 15,682 | 16 | 76 | 74 | 74 | + 1.1 | + 3.2 | 3,351 |
| Stoves, ranges, steam heating apparatus | 23 | +23.5 | + 8.4 | 3,048 | 22 | +20.0 | 14,337 | 23 | 72 | 65 | 74 | + 5.7 | — 1.7 | 3,814 |
| Other iron and steel products | 114 | +35.5 | + 2.9 | 61,911 | 107 | +34.4 | 310,255 | 108 | 91 | 84 | 93 | +27.3 | + 3.0 | 66,336 |
| Non-ferrous metals and their products | | | | | | | | | | | | | | |
| Jewelery and jewelers' supplies | 28 | —15.9 | — 8.0 | 3,881 | 26 | + 1.2 | 24,292 | 27 | 60 | 60 | 60 | +13.7 | + 3.8 | 6,844 |
| Other non-ferrous metals | 26 | +22.7 | + 1.6 | 7,097 | 26 | +26.6 | 41,768 | 24 | 92 | 83 | 89 | +12.3 | + 3.3 | 7,850 |
| Machinery, not including transportation eqpt. | | | | | | | | | | | | | | |
| Electrical machinery, apparatus and supplies | 83 | +20.4 | — 5.6 | 41,189 | 79 | +29.1 | 240,946 | 72 | 83 | 78 | 86 | +15.6 | + 1.0 | 30,117 |
| Other machinery, apparatus and supplies | 104 | +21.2 | — 2.2 | 19,764 | 100 | +32.0 | 112,966 | 99 | 71 | 66 | 77 | +21.9 | + 2.9 | 23,209 |
| Motor-vehicle parts | 40 | +17.5 | — 3.4 | 6,895 | 37 | +27.6 | 41,818 | 37 | 83 | 82 | 86 | +21.1 | — 7.4 | 7,679 |
| Miscellaneous industries | 67 | +28.5 | + 9.0 | 13,613 | 63 | +18.2 | 64,630 | 59 | 86 | 77 | 87 | + 8.5 | + 3.7 | 12,785 |
| Total | 1,608 | | | | 1,535 | | | 1,379 | | | | | | |

* Collection percentages are obtained by dividing collections by accounts receivable for an identical group of firms.

** Includes Shades, Globes, Reflectors, etc.

# WHOLESALERS' sales and inventories, June 1940

| Kind of Business | Dollar Sales | | | | Sales For 6 Mos. 1940 | | | End of Month Inventories (Cost) | | | | Stock-Sales Ratios* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of firms reporting sales | Percent change June 1940 vs. June 1939 | Percent change June 1940 vs. May 1940 | June 1940 (000's) | Number of firms reporting sales | Percent change from 6 Mos. 1940 | 6 Mos. 1940 (000's) | Number of firms reporting stocks | Percent change June 1940 vs. June 1939 | Percent change June 1940 vs. May 1940 | June 30, 1940 (000's) | June 1940 | June 1939 | May 1940 |
| Automotive supplies | 207 | + 9.1 | — 4.7 | 3,815 | 171 | +14.3 | 18,611 | 100 | + 6.7 | + 0.4 | 4,617 | 232 | 239 | 221 |
| Chemicals (industrial) | 20 | + 8.3 | — 6.3 | 1,105 | 14 | +12.9 | 5,676 | 11 | +13.0 | — 2.4 | 767 | 98 | 99 | 94 |
| Paints and varnishes | 37 | + 3.9 | —10.9 | 853 | 33 | + 3.6 | 3,448 | 18 | +12.9 | + 3.7 | 1,122 | 182 | 170 | 164 |
| Clothing and furnishings, except shoes | 46 | — 0.2 | —24.2 | 1,313 | 45 | + 2.8 | 12,773 | 27 | — 0.7 | — 2.7 | 1,109 | 218 | 226 | 191 |
| Shoes and other footwear | 37 | + 1.2 | —16.7 | 7,224 | 36 | — 5.6 | 56,043 | 24 | — 1.3 | +11.3 | 6,944 | 262 | 230 | 165 |
| Coal | 14 | +28.9 | — 5.5 | 2,485 | 12 | +10.1 | 18,256 | — | — | — | — | — | — | — |
| Drugs and drug sundries# | 142 | + 9.8 | + 4.2 | 21,161 | 137 | + 6.5 | 121,749 | 75 | + 5.4 | + 0.8 | 17,241 | 200 | 204 | 195 |
| Without liquor department | 90 | — 0.5 | — 3.6 | 9,758 | 85 | + 2.2 | 57,975 | 50 | + 4.7 | — 0.2 | 8,620 | 189 | 178 | 180 |
| With liquor department | 52 | +20.4 | +11.9 | 11,403 | 52 | +10.7 | 63,774 | 25 | + 6.1 | + 1.9 | 8,621 | 213 | 238 | 214 |
| Dry goods | 122 | —10.4 | —12.9 | 8,434 | 113 | + 0.5 | 54,887 | 68 | + 9.0 | — 0.9 | 19,472 | 309 | 255 | 278 |
| Electrical goods | 331 | +13.3 | — 1.5 | 23,810 | 326 | +19.0 | 123,203 | 283 | +16.3 | — 1.0 | 23,739 | 108 | 106 | 107 |
| Dairy and poultry products | 16 | —10.6 | —11.6 | 1,183 | 15 | +15.0 | 7,943 | 6 | + 8.8 | +12.8 | 123 | 78 | 70 | 63 |
| Fresh fruits and vegetables | 83 | + 5.2 | — 6.6 | 3,350 | 69 | + 6.0 | 14,193 | 54 | +16.1 | — 0.3 | 597 | 25 | 23 | 24 |
| Farm supplies | 8 | — 7.9 | —60.3 | 234 | 8 | — 4.6 | 4,223 | — | — | — | — | — | — | — |
| Furniture and house furnishings | 66 | + 2.9 | —16.3 | 3,867 | 35 | + 7.7 | 12,262 | 37 | +13.7 | — 5.9 | 7,851 | 267 | 241 | 240 |
| Groceries and foods, except farm products | 657 | — 1.2 | — 0.6 | 46,184 | 641 | + 4.5 | 264,116 | 395 | + 5.7 | — 2.6 | 40,914 | 169 | 138 | 151 |
| Full-line wholesalers## | 340 | — 1.9 | — 1.1 | 19,782 | 332 | + 4.1 | 111,291 | 189 | + 9.3 | — 1.6 | 19,462 | 164 | 147 | 166 |
| Voluntary-group wholesalers | 173 | — 0.4 | + 4.7 | 16,691 | 170 | + 2.6 | 90,071 | 121 | + 1.6 | — 5.7 | 15,222 | 166 | 158 | 181 |
| Retailer-cooperative warehouses | 20 | — 2.5 | — 1.1 | 2,932 | 20 | + 3.5 | 17,564 | 11 | + 2.4 | + 2.0 | 2,561 | 128 | 123 | 125 |
| Specialty lines | 124 | — 0.6 | —10.6 | 6,779 | 119 | + 9.8 | 45,190 | 74 | + 7.0 | + 2.3 | 3,669 | 86 | 78 | 72 |
| Confectionery | 26 | +16.7 | +10.1 | 664 | 25 | +10.1 | 3,142 | 14 | + 2.0 | — 2.8 | 205 | 69 | 77 | 77 |
| Meats and meat products | 98 | + 1.9 | — 9.8 | 18,904 | 82 | + 4.2 | 100,473 | 71 | +14.5 | + 1.5 | 6,078 | 67 | 58 | 56 |
| Beer | 31 | +14.1 | +27.8 | 533 | 25 | + 4.4 | 1,739 | 24 | +13.8 | +16.8 | 132 | 32 | 32 | 36 |
| Wines and spirituous liquors | 28 | +71.2 | +57.8 | 4,706 | 21 | +17.3 | 17,375 | 19 | + 3.8 | — 2.6 | 4,782 | 109 | 177 | 175 |
| Total hardware group | 455 | +10.6 | — 0.6 | 32,905 | 437 | +12.5 | 175,021 | 287 | +10.0 | — 0.1 | 54,990 | 246 | 250 | 245 |
| General hardware | 148 | + 5.9 | — 2.1 | 18,497 | 143 | + 8.7 | 99,358 | 93 | +10.6 | + 0.1 | 36,957 | 279 | 269 | 274 |
| Heavy hardware | 30 | +28.2 | — 1 2 | 1,873 | 29 | +25.2 | 10,840 | 20 | +19.5 | — 1.3 | 3,748 | 226 | 247 | 225 |
| Industrial supplies | 153 | +19.1 | + 0.3 | 7,708 | 143 | +20.3 | 41,006 | 100 | + 7.2 | + 0.4 | 10,626 | 209 | 246 | 211 |
| Plumbing and heating supplies | 124 | +10.5 | + 3.7 | 4,827 | 122 | +10.8 | 23,817 | 74 | + 4.2 | — 1.6 | 3,659 | 152 | 157 | 159 |
| Jewelry | 42 | +11.2 | —14.2 | 1,329 | 42 | +13.1 | 7,664 | 21 | + 4.9 | + 1.8 | 2,164 | 429 | 483 | 312 |
| Optical goods | 29 | + 6.7 | — 4.3 | 336 | 9 | + 9.3 | 1,225 | 13 | — 1.0 | 0.0 | 283 | 262 | 295 | 253 |
| Lumber and building materials | 44 | +10.6 | — 3.6 | 3,193 | 39 | + 8.5 | 13,916 | 28 | + 2.7 | — 1.6 | 2,849 | 136 | 148 | 128 |
| Machinery, eqpt. & supplies, except electrical | 57 | + 3.5 | — 1.2 | 2,317 | 54 | +15.6 | 12,622 | 30 | + 2.1 | — 4.0 | 3,065 | 220 | 223 | 227 |
| Surgical equipment and supplies | 31 | + 9.0 | — 0.8 | 630 | 29 | +11.2 | 3,495 | 16 | +11.2 | — 0.6 | 654 | 158 | 162 | 156 |
| Metals | 24 | +14.1 | + 3.1 | 1,934 | 22 | +17.4 | 9,978 | 14 | +17.0 | — 0.1 | 2,970 | 243 | 241 | 252 |
| Paper and its products | 99 | +12.5 | — 4.1 | 5,468 | 87 | + 9.4 | 29,931 | 50 | + 8.2 | + 3.5 | 5,114 | 166 | 172 | 156 |
| Petroleum | 11 | +23.2 | + 9.7 | 4,089 | 10 | +23.0 | 23,877 | 8 | +11.7 | — 7.0 | 679 | 58 | 56 | 61 |
| Tobacco and its products | 171 | + 8.3 | + 5.8 | 15,739 | 168 | + 8.5 | 81,053 | 72 | — 5.9 | — 4.7 | 3,713 | 45 | 50 | 49 |
| Leather and shoe findings | 8 | —15.5 | —28.8 | 109 | 7 | + 8.2 | 716 | — | — | — | — | — | — | — |
| Miscellaneous | 31 | —12.1 | + 2.2 | 3,586 | 29 | — 3.9 | 23,204 | 29 | +19.2 | — 5.2 | 7,983 | 170 | 138 | 176 |
| Total | 2,971 | + 6.1 | — 2.0 | $221,460 | 2,741 | + 7.7 | $1,222,814 | 1,794 | + 8.7 | — 0.8 | $220,157 | 162 | 158 | 159 |

* These Stock-Sales ratios are percentages obtained by dividing stocks by sales for an identical group of firms. — Insufficient data to show separately.
# Total Sales, including liquors, wines, etc. ## Not affiliated with voluntary or cooperative groups.

# WHOLESALERS' accounts receivable and collections, June 1940

| Kind of Business | Number of firms reporting | Collection Percentages* | | | Total Accounts Receivable | | |
|---|---|---|---|---|---|---|---|
| | | June 1940 | June 1939 | May 1940 | Percent change June 1940 vs. June 1939 | Percent change June 1940 vs. May 1940 | As of June 1, 1940 (000's) |
| Automotive supplies | 152 | 60 | 59 | 61 | + 5.8 | — 0.5 | 3,716 |
| Chemicals (industrial) | 20 | 62 | 63 | 68 | + 8.7 | + 6.7 | 1,551 |
| Paints and varnishes | 34 | 50 | 49 | 51 | + 1.5 | + 3.1 | 1,528 |
| Clothing and furnishings, except shoes | 42 | 46 | 48 | 44 | + 6.6 | — 6.7 | 3,887 |
| Shoes and other footwear | 34 | 47 | 51 | 47 | — 0.2 | —12.6 | 9,409 |
| Coal | 14 | 67 | 69 | 70 | + 7.4 | — 3.6 | 3,884 |
| Drugs and drug sundries | 91 | 72 | 74 | 76 | + 4.2 | + 0.1 | 14,373 |
| Without liquor department | 65 | 67 | 70 | 69 | + 4.1 | — 0.8 | 9,187 |
| With liquor department | 26 | 81 | 80 | 88 | + 4.4 | + 1.7 | 5,186 |
| Dry goods | 110 | 44 | 48 | 47 | + 4.7 | — 3.1 | 18,921 |
| Electrical goods | 307 | 76 | 79 | 79 | +17.5 | + 5.6 | 28,539 |
| Dairy and poultry products | 14 | 131 | 126 | 132 | + 0.7 | + 2.8 | 738 |
| Fresh fruits and vegetables | 62 | 154 | 155 | 160 | + 3.6 | + 5.0 | 1,452 |
| Farm supplies | 6 | 74 | 76 | 80 | +10.8 | —29.9 | 705 |
| Furniture and house furnishings | 57 | 49 | 52 | 50 | +12.9 | + 1.6 | 7,891 |
| Groceries and foods, except farm products | 526 | 100 | 105 | 101 | + 3.4 | — 1.4 | 36,648 |
| Full-line wholesalers | 261 | 90 | 98 | 96 | + 4.9 | + 0.7 | 15,507 |
| Voluntary-group wholesalers | 146 | 104 | 104 | 102 | — 3.1 | — 1.6 | 13,033 |
| Retailer-cooperative warehouses | 18 | 177 | 180 | 163 | + 3.5 | — 2.8 | 1,576 |
| Specialty lines | 101 | 97 | 107 | 100 | +14.7 | — 5.1 | 6,532 |
| Confectionery | 18 | 71 | 78 | 76 | +11.3 | + 4.2 | 374 |
| Meats and meat products | 85 | 161 | 174 | 174 | +13.5 | + 2.6 | 11,469 |
| Beer | 13 | 101 | 116 | 93 | +11.1 | +12.5 | 90 |
| Wines and spirituous liquors | 24 | 74 | 100 | 92 | +45.4 | +27.8 | 3,839 |
| Total hardware group | 425 | 60 | 60 | 61 | + 8.3 | + 1.4 | 48,023 |
| General hardware | 137 | 55 | 57 | 56 | + 7.5 | + 0.7 | 29,877 |
| Heavy hardware | 26 | 83 | 78 | 85 | +17.1 | — 0.9 | 2,019 |
| Industrial supplies | 141 | 72 | 65 | 73 | +10.6 | + 1.5 | 9,063 |
| Plumbing and heating supplies | 121 | 60 | 59 | 59 | + 6.5 | + 5.1 | 7,064 |
| Jewelry | 35 | 21 | 27 | 21 | +16.5 | + 5.8 | 4,821 |
| Optical goods | 21 | 57 | 56 | 55 | + 2.1 | — 4.8 | 297 |
| Lumber and building materials | 42 | 69 | 64 | 67 | + 7.0 | + 6.9 | 4,470 |
| Machinery, equipment and supplies, except electrical | 50 | 57 | 53 | 57 | + 8.4 | + 4.1 | 3,459 |
| Surgical equipment and supplies | 30 | 52 | 46 | 50 | + 2.9 | 0.0 | 1,154 |
| Metals | 24 | 80 | 75 | 79 | +10.6 | — 0.4 | 2,350 |
| Paper and its products | 85 | 61 | 60 | 62 | + 9.6 | + 2.1 | 7,661 |
| Petroleum | 9 | 109 | 102 | 102 | — 0.6 | —15.3 | 1,777 |
| Tobacco and its products | 114 | 125 | 126 | 128 | + 6.3 | + 4.3 | 8,663 |
| Leather and shoe findings | 7 | 40 | 40 | 43 | — 0.7 | — 6.2 | 136 |
| Miscellaneous | 27 | 85 | 103 | 93 | — 4.2 | — 2.5 | 3,204 |
| Total | 2,478 | 75 | 78 | 77 | + 8.1 | + 0.5 | $235,029 |

* Collection percentages are obtained by dividing the collections by accounts receivable for an identical group of firms.

# WHOLESALERS' sales and inventories, by geographic divisions, June 1940

| Geographic Division / Kind of Business | Dollar Sales | | | | Sales For 6 Months 1940 | | | End of Month Inventories (Cost) | | | | Stock-Sales Ratios* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of firms reporting sales | Percent change June 1940 vs. June 1939 | Percent change June 1940 vs. May 1940 | June 1940 (000's) | Number of firms reporting sales | Percent change from 6 Mos. 1940 | 6 Mos. 1940 (000's) | Number of firms reporting stocks | Percent change June 1940 vs. June 1939 | Percent change June 1940 vs. May 1940 | June 30, 1940 (000's) | June 1940 | June 1939 | May 1940 |
| New England | 174 | +11.5 | - 1.7 | $13,924 | 157 | +12.9 | $74,599 | 110 | +14.5 | + 1.4 | $10,547 | 114 | 111 | 106 |
| Electrical goods | 33 | + 4.6 | + 1.0 | 1,582 | 33 | +15.6 | 8,279 | 28 | +13.2 | - 0.3 | 1,752 | 115 | 106 | 116 |
| Groceries and foods, except farm products | 27 | +14.3 | +17.5 | 2,441 | 26 | + 6.0 | 11,309 | 13 | +19.0 | + 2.8 | 971 | 164 | 141 | 167 |
| Meats and meat products | 7 | + 4.6 | -26.0 | 2,078 | 4 | +19.7 | 13,005 | 6 | +11.8 | + 7.6 | 708 | 35 | 33 | 24 |
| Industrial supplies | 17 | +19.8 | - 3.6 | 568 | 16 | +22.6 | 3,055 | 12 | +10.3 | 0.0 | 1,136 | 243 | 271 | 231 |
| Tobacco and its products | 14 | +12.7 | + 6.3 | 2,054 | 14 | +14.5 | 10,421 | 5 | +17.6 | +15.4 | 187 | 42 | 42 | 44 |
| Middle Atlantic | 671 | + 7.4 | - 0.9 | 53,842 | 616 | + 9.2 | 295,645 | 393 | + 7.5 | - 2.7 | 40,819 | 128 | 129 | 130 |
| Automotive supplies | 30 | +18.4 | -10.7 | 809 | 24 | +17.9 | 3,499 | 18 | + 0.6 | - 3.3 | 1,029 | 185 | 241 | 169 |
| Clothing and furnishings, except shoes | 20 | + 3.6 | -23.9 | 1,001 | 20 | + 5.8 | 10,141 | 9 | + 8.2 | - 5.7 | 578 | 179 | 184 | 178 |
| Shoes and other footwear | 10 | + 0.5 | -27.7 | 609 | 10 | - 2.1 | 4,372 | 5 | -17.9 | + 1.6 | 1,192 | 257 | 306 | 173 |
| Drugs (without liquor department) | 16 | + 0.1 | - 3.4 | 2,588 | 14 | 0.0 | 14,546 | 11 | + 6.5 | 0.0 | 1,513 | 137 | 126 | 130 |
| Dry goods | 46 | -11.7 | -13.8 | 2,249 | 43 | + 1.2 | 15,584 | 23 | - 1.9 | - 7.1 | 2,513 | 222 | 205 | 213 |
| Electrical goods | 73 | +20.0 | - 0.2 | 5,611 | 72 | +25.1 | 27,790 | 62 | +13.1 | - 2.2 | 4,597 | 89 | 97 | 91 |
| Fresh fruits and vegetables | 20 | + 8.7 | + 1.2 | 825 | 13 | + 6.4 | 1,787 | 12 | - 1.7 | - 0.8 | 119 | 17 | 19 | 17 |
| Furniture and house furnishings | 20 | + 6.5 | -21.5 | 773 | 10 | + 7.8 | 2,057 | 14 | + 7.2 | + 1.0 | 1,598 | 284 | 273 | 228 |
| Groceries and foods, except farm products | 94 | - 4.7 | - 3.9 | 6,604 | 92 | + 6.8 | 41,232 | 46 | + 3.3 | - 1.7 | 4,098 | 132 | 123 | 130 |
| Meats and meat products | 23 | + 2.6 | - 3.5 | 5,381 | 18 | + 2.4 | 25,616 | 19 | +25.8 | + 1.0 | 1,049 | 66 | 49 | 58 |
| General hardware | 30 | +10.4 | - 2.7 | 2,233 | 29 | + 6.3 | 11,153 | 15 | +17.9 | + 1.2 | 3,465 | 285 | 287 | 275 |
| Heavy hardware | 12 | +18.1 | - 3.4 | 951 | 11 | +24.7 | 5,502 | 10 | +19.3 | - 1.6 | 2,427 | 268 | 264 | 263 |
| Industrial supplies | 38 | +26.4 | + 2.2 | 1,711 | 37 | +28.8 | 9,481 | 28 | +11.1 | + 1.1 | 2,651 | 187 | 217 | 190 |
| Plumbing and heating supplies | 49 | + 9.9 | + 3.5 | 1,456 | 48 | +10.6 | 7,176 | 31 | + 6.7 | - 1.0 | 1,446 | 139 | 141 | 142 |
| Jewelry | 12 | +21.5 | - 7.1 | 299 | 12 | +22.1 | 1,641 | 7 | + 7.1 | - 2.1 | 799 | 434 | 491 | 416 |
| Optical goods | 11 | + 4.2 | - 1.3 | 74 | 5 | +11.1 | 331 | 4 | -16.3 | - 2.7 | 36 | 164 | 215 | 168 |
| Lumber and building materials | 11 | + 9.1 | -11.6 | 1,054 | 11 | +12.7 | 5,156 | 5 | + 6.6 | + 4.0 | 570 | 92 | 106 | 73 |
| Paper and its products | 34 | +15.8 | - 2.0 | 2,613 | 32 | + 9.8 | 14,813 | 18 | + 7.4 | + 1.9 | 2,397 | 139 | 150 | 136 |
| Tobacco and its products | 49 | + 0.6 | + 1.9 | 6,010 | 49 | + 5.9 | 31,686 | 26 | - 9.9 | - 8.8 | 2,275 | 47 | 51 | 52 |
| East North Central | 582 | + 6.7 | - 0.8 | 42,626 | 531 | + 8.7 | 218,927 | 363 | + 7.6 | - 0.3 | 46,299 | 159 | 157 | 157 |
| Automotive supplies | 52 | + 4.6 | + 1.3 | 681 | 45 | +15.0 | 3,449 | 28 | +10.0 | + 3.8 | 1,236 | 264 | 258 | 256 |
| Paints and varnishes | 12 | - 2.5 | -15.8 | 352 | 11 | + 0.5 | 1,244 | 5 | +12.8 | + 4.7 | 335 | 123 | 106 | 104 |
| Clothing and furnishings, except shoes | 9 | - 8.9 | -20.8 | 164 | 9 | -10.8 | 1,209 | 6 | -16.2 | + 2.7 | 269 | 236 | 263 | 174 |
| Drugs (without liquor department) | 20 | - 0.7 | - 5.0 | 2,190 | 19 | + 4.3 | 12,748 | 10 | + 8.4 | + 1.0 | 1,777 | 171 | 160 | 165 |
| Dry goods | 14 | - 1.1 | -11.4 | 784 | 8 | - 0.6 | 2,173 | 9 | + 9.2 | - 3.4 | 1,820 | 247 | 223 | 228 |
| Electrical goods | 61 | +10.0 | + 3.4 | 5,322 | 60 | +16.8 | 27,094 | 53 | + 4.4 | - 0.8 | 5,111 | 108 | 114 | 113 |
| Fresh fruits and vegetables | 13 | + 7.1 | -15.6 | 541 | 12 | + 5.5 | 2,727 | 9 | - 2.3 | + 9.8 | 129 | 42 | 44 | 44 |
| Groceries and foods, except farm products | 108 | - 0.3 | + 0.3 | 9,017 | 103 | + 3.5 | 50,398 | 62 | + 3.7 | - 1.1 | 8,175 | 164 | 156 | 164 |
| Meats and meat products | 28 | - 3.3 | -14.9 | 3,325 | 24 | + 5.1 | 15,958 | 25 | +12.8 | - 0.6 | 2,332 | 77 | 66 | 66 |
| Beer | 11 | + 5.8 | +25.0 | 200 | 10 | + 0.5 | 783 | 10 | + 2.2 | - 0.7 | 47 | 25 | 26 | 29 |
| General hardware | 22 | + 3.3 | - 3.9 | 5,018 | 22 | +12.4 | 27,048 | 18 | +11.6 | - 0.7 | 12,768 | 269 | 247 | 258 |
| Industrial supplies | 34 | +27.1 | - 2.0 | 2,025 | 29 | +29.1 | 9,880 | 24 | + 4.7 | - 0.3 | 2,788 | 174 | 219 | 170 |
| Plumbing and heating supplies | 18 | +16.1 | + 3.8 | 735 | 17 | +16.0 | 3,591 | 10 | + 5.9 | - 1.0 | 597 | 236 | 279 | 264 |
| Jewelry | 14 | +11.3 | -20.0 | 583 | 14 | +10.0 | 3,534 | 7 | - 0.8 | + 2.2 | 780 | 380 | 473 | 238 |
| Lumber and building materials | 10 | + 6.8 | + 7.7 | 584 | 7 | + 0.3 | 1,753 | 6 | -10.6 | - 3.2 | 572 | 151 | 174 | 161 |
| Machinery, eqpt. & supplies, except elec. | 12 | -19.1 | + 4.7 | 399 | 11 | + 8.0 | 1,678 | 8 | + 3.4 | - 1.6 | 245 | 104 | 75 | 131 |
| Surgical equipment and supplies | 9 | +12.7 | - 1.5 | 337 | 9 | +15.3 | 2,047 | 5 | +17.5 | + 1.3 | 323 | 121 | 119 | 118 |
| Metals | 10 | +10.6 | + 6.4 | 936 | 9 | +10.8 | 4,771 | 5 | +21.1 | + 3.0 | 1,784 | 302 | 285 | 313 |
| Paper and its products | 23 | + 8.6 | - 1.7 | 1,408 | 20 | + 7.2 | 7,096 | 11 | +13.5 | + 5.2 | 934 | 143 | 138 | 130 |
| Tobacco and its products | 47 | +15.5 | + 9.6 | 3,973 | 46 | +10.9 | 20,292 | 20 | - 6.8 | - 2.0 | 772 | 39 | 48 | 43 |
| West North Central | 325 | - 0.3 | - 5.3 | 28,264 | 301 | + 3.1 | 173,673 | 216 | +10.0 | 0.0 | 35,246 | 202 | 182 | 190 |
| Automotive supplies | 19 | 0.0 | - 0.3 | 383 | 16 | +14.6 | 2,171 | 9 | +17.7 | - 1.4 | 653 | 274 | 246 | 289 |
| Drugs (without liquor department) | 12 | - 5.5 | - 2.4 | 1,051 | 12 | - 0.5 | 6,563 | 7 | - 0.9 | + 0.6 | 1,114 | 238 | 220 | 228 |
| Dry goods | 9 | -13.9 | - 8.3 | 2,541 | 9 | - 1.9 | 17,038 | 8 | +14.9 | + 3.1 | 8,297 | 334 | 250 | 297 |
| Electrical goods | 35 | +13.0 | - 4.1 | 2,017 | 34 | +15.4 | 10,468 | 33 | +32.3 | - 1.6 | 2,229 | 114 | 98 | 111 |
| Fresh fruits and vegetables | 12 | - 1.0 | - 9.2 | 483 | 12 | +10.2 | 2,672 | 10 | + 7.3 | - 2.2 | 132 | 33 | 31 | 30 |
| Furniture and house furnishings | 10 | + 2.6 | -16.3 | 1,254 | 7 | +10.1 | 6,604 | 7 | +24.1 | -13.0 | 2,862 | 241 | 196 | 228 |
| Groceries and foods, except farm products | 84 | - 5.8 | + 4.4 | 6,079 | 84 | + 1.6 | 34,034 | 63 | + 3.1 | - 5.0 | 7,506 | 157 | 150 | 173 |
| General hardware | 10 | + 6.5 | + 6.9 | 1,470 | 10 | +10.1 | 7,408 | 9 | + 3.8 | - 3.0 | 3,182 | 245 | 253 | 268 |
| Industrial supplies | 15 | + 0.4 | + 0.7 | 449 | 13 | + 4.9 | 2,247 | 8 | + 0.2 | + 4.1 | 613 | 249 | 231 | 238 |
| Plumbing and heating supplies | 10 | + 5.9 | - 4.2 | 577 | 10 | +12.4 | 2,841 | 5 | -23.7 | - 4.1 | 283 | 147 | 182 | 138 |
| Machinery, eqpt. & supplies, except elec. | 8 | + 3.8 | + 6.1 | 433 | 7 | - 0.5 | 2,070 | 4 | - 1.3 | + 4.1 | 154 | 117 | 150 | 145 |
| Paper and its products | 9 | +12.7 | - 8.9 | 195 | 8 | + 6.3 | 1,144 | 4 | +11.7 | +10.4 | 286 | 433 | 457 | 341 |
| Tobacco and its products | 13 | + 4.8 | + 4.0 | 543 | 12 | + 6.0 | 2,646 | 8 | + 7.2 | + 6.5 | 148 | 50 | 49 | 50 |
| South Atlantic | 350 | + 3.5 | - 6.5 | 17,560 | 330 | + 8.9 | 104,756 | 187 | +10.6 | - 0.2 | 17,385 | 166 | 156 | 155 |
| Automotive supplies | 16 | + 3.1 | - 3.0 | 394 | 14 | +10.1 | 2,074 | 7 | + 6.7 | + 3.1 | 270 | 216 | 198 | 194 |
| Drugs (without liquor department) | 14 | - 0.5 | - 8.6 | 1,025 | 14 | + 8.3 | 7,142 | 7 | + 1.5 | - 0.8 | 1,082 | 213 | 206 | 191 |
| Dry goods | 13 | - 8.5 | -22.3 | 704 | 13 | + 6.8 | 5,021 | 7 | +23.3 | - 5.9 | 1,189 | 338 | 266 | 268 |
| Electrical goods | 49 | + 4.8 | - 2.8 | 3,041 | 49 | +16.4 | 16,610 | 41 | +17.8 | - 1.9 | 3,154 | 108 | 96 | 107 |
| Fresh fruits and vegetables | 11 | - 5.9 | - 7.9 | 386 | 11 | + 2.5 | 2,123 | 5 | +12.0 | + 9.8 | 56 | 34 | 26 | 26 |
| Groceries and foods, except farm products | 95 | + 2.0 | - 5.0 | 4,434 | 92 | + 8.4 | 26,122 | 40 | + 8.0 | - 0.5 | 3,087 | 139 | 131 | 134 |
| Meats and meat products | 12 | + 1.6 | - 8.7 | 621 | 10 | + 3.2 | 3,520 | 7 | +33.1 | - 1.6 | 374 | 72 | 57 | 67 |
| General hardware | 26 | + 3.1 | - 4.1 | 1,563 | 25 | + 5.0 | 9,331 | 15 | +12.8 | + 3.2 | 3,074 | 347 | 316 | 314 |
| Industrial supplies | 14 | +20.3 | + 5.3 | 539 | 14 | +24.4 | 3,034 | 8 | +15.7 | + 0.7 | 761 | 207 | 217 | 222 |
| Plumbing and heating supplies | 19 | +10.7 | +10.0 | 839 | 19 | + 3.6 | 3,958 | 16 | + 8.8 | + 2.9 | 792 | 134 | 141 | 158 |
| Paper and its products | 11 | + 9.8 | -10.6 | 447 | 10 | + 7.3 | 2,631 | 5 | +11.3 | +10.2 | 464 | 217 | 209 | 172 |
| Tobacco and its products | 13 | +10.3 | + 0.4 | 785 | 13 | + 8.4 | 4,289 | 4 | + 7.5 | + 4.2 | 100 | 45 | 47 | 45 |
| East South Central | 151 | + 4.8 | - 8.6 | 8,569 | 141 | + 8.1 | 48,834 | 83 | +13.0 | - 2.3 | 9,576 | 195 | 182 | 181 |
| Drugs (without liquor department) | 10 | - 1.3 | - 4.4 | 937 | 9 | + 1.9 | 5,540 | 6 | + 4.0 | - 2.5 | 1,179 | 214 | 207 | 207 |
| Dry goods | 14 | -15.2 | -27.3 | 543 | 14 | + 0.6 | 4,491 | 8 | +16.1 | - 3.2 | 1,549 | 394 | 286 | 295 |
| Electrical goods | 9 | +13.4 | - 6.9 | 611 | 9 | +22.7 | 3,137 | 7 | +44.9 | - 2.6 | 723 | 132 | 103 | 126 |
| Groceries and foods, except farm products | 47 | + 3.2 | - 7.1 | 2,181 | 43 | +10.0 | 11,431 | 22 | + 5.5 | - 7.0 | 1,770 | 154 | 151 | 151 |
| General hardware | 14 | + 6.6 | -13.2 | 1,922 | 14 | + 9.3 | 11,763 | 7 | +12.9 | + 1.0 | 2,167 | 235 | 219 | 203 |
| Industrial supplies | 11 | +15.3 | -11.3 | 385 | 11 | +27.7 | 2,285 | 5 | +11.7 | - 2.0 | 200 | 179 | 211 | 176 |
| West South Central | 249 | - 3.2 | - 7.8 | 15,376 | 242 | + 5.0 | 91,466 | 174 | + 8.5 | - 1.2 | 23,317 | 222 | 195 | 205 |
| Drugs (with liquor department) | 12 | + 6.3 | -11.8 | 1,594 | 12 | + 6.2 | 10,793 | 9 | + 4.4 | + 4.1 | 3,713 | 301 | 306 | 241 |
| Electrical goods | 32 | - 7.2 | -18.2 | 1,669 | 32 | +12.6 | 10,075 | 24 | +26.8 | - 3.8 | 1,928 | 131 | 96 | 110 |
| Groceries and foods, except farm products | 120 | - 6.8 | - 4.0 | 6,061 | 120 | + 2.3 | 36,456 | 90 | + 8.5 | - 4.5 | 7,169 | 182 | 148 | 183 |
| General hardware | 16 | - 6.0 | - 7.3 | 1,435 | 15 | + 5.7 | 8,987 | 11 | +12.0 | + 4.9 | 3,173 | 295 | 249 | 268 |
| Machinery, eqpt. & supplies, except elec. | 8 | - 3.9 | -15.1 | 467 | 8 | +20.9 | 3,215 | 5 | - 6.8 | - 6.9 | 1,720 | 412 | 442 | 377 |
| Mountain | 133 | + 5.2 | + 4.1 | 8,303 | 114 | + 6.1 | 41,356 | 91 | + 8.3 | - 0.5 | 9,999 | 165 | 163 | 174 |
| Automotive supplies | 20 | + 9.3 | - 3.6 | 352 | 13 | +20.6 | 1,352 | 11 | - 3.3 | - 3.6 | 434 | 237 | 263 | 245 |
| Electrical goods | 13 | +36.9 | + 9.1 | 861 | 11 | +23.7 | 3,861 | 10 | +32.5 | +12.5 | 857 | 109 | 117 | 107 |
| Groceries and foods, except farm products | 37 | - 1.0 | +10.3 | 2,631 | 37 | + 1.3 | 13,727 | 32 | +10.4 | - 2.5 | 3,176 | 152 | 135 | 172 |
| General hardware | 8 | + 3.8 | + 1.0 | 973 | 8 | + 7.7 | 5,030 | 6 | + 8.9 | + 0.1 | 1,681 | 293 | 273 | 292 |
| Pacific | 335 | +14.9 | + 4.9 | 28,748 | 308 | + 9.6 | 147,962 | 177 | + 6.5 | - 0.5 | 26,969 | 169 | 181 | 173 |
| Automotive supplies | 57 | +15.0 | - 5.8 | 1,033 | 52 | +13.2 | 5,522 | 20 | + 8.5 | + 1.8 | 676 | 236 | 213 | 221 |
| Drugs (with liquor department) | 9 | +24.9 | +22.8 | 3,481 | 9 | +11.6 | 18,072 | — | — | — | — | — | — | — |
| Dry goods | 14 | - 0.4 | - 3.9 | 768 | 14 | + 3.4 | 4,866 | 6 | - 2.7 | - 1.6 | 1,558 | 306 | 310 | 324 |
| Electrical goods | 26 | +33.0 | - 0.5 | 3,096 | 26 | +22.2 | 15,889 | 25 | +17.7 | + 0.6 | 3,388 | 116 | 132 | 114 |
| Fresh fruits and vegetables | 10 | + 2.6 | - 7.7 | 431 | 8 | + 8.9 | 2,164 | 5 | +32.3 | + 7.9 | 41 | 17 | 13 | 14 |
| Furniture and house furnishings | 10 | - 6.6 | -11.2 | 604 | 4 | - 4.4 | 716 | 5 | + 2.0 | - 1.2 | 1,851 | 379 | 341 | 342 |
| Groceries and foods, except farm products | 45 | + 2.4 | - 3.9 | 6,736 | 44 | + 4.7 | 39,407 | 27 | + 4.6 | + 0.1 | 4,962 | 113 | 108 | 102 |
| Meats and meat products | 9 | + 4.7 | - 6.2 | 1,116 | 9 | - 2.4 | 6,445 | 7 | -24.3 | +11.2 | 408 | 62 | 87 | 54 |
| Wines and spirituous liquors | 8 | +77.9 | +63.5 | 1,733 | 5 | +34.5 | 5,473 | 5 | + 6.3 | - 8.9 | 1,513 | 92 | 151 | 162 |
| General hardware | 18 | +14.9 | + 8.0 | 3,707 | 16 | + 8.4 | 17,693 | 10 | + 8.3 | - 0.9 | 6,948 | 289 | 321 | 323 |
| Industrial supplies | 15 | +22.5 | + 2.5 | 458 | 14 | +21.1 | 2,452 | 9 | - 2.2 | + 1.8 | 829 | 275 | 350 | 271 |
| Plumbing and heating supplies | 13 | +22.6 | +10.2 | 872 | 13 | +12.4 | 4,339 | 4 | + 2.8 | - 1.4 | 146 | 125 | 120 | 140 |
| Lumber and building materials | 12 | +10.1 | - 4.6 | 371 | 11 | + 4.3 | 1,993 | 9 | +26.3 | + 1.7 | 538 | 192 | 170 | 172 |
| Machinery, eqpt. & supplies, except elec. | 12 | +20.7 | + 7.5 | 257 | 12 | +15.5 | 1,323 | 4 | +18.8 | 0.0 | 164 | 278 | 288 | 278 |
| Tobacco and its products | 18 | +17.7 | +16.7 | 1,508 | 18 | + 8.1 | 7,559 | — | — | — | — | — | — | — |

* These Stock-Sales ratios are percentages obtained by dividing stocks by sales for an identical group of firms.
—Insufficient data to show separately.

## WHOLESALERS' accounts receivable and collections, by geographic divisions, June 1940

| Geographic Division Kind of Business | Number of firms reporting | Collection Percentages* | | | Total Accounts Receivable | | |
|---|---|---|---|---|---|---|---|
| | | | | | Percent change June 1940 from | | |
| | | June 1940 | June 1939 | May 1940 | June 1939 | May 1940 | As of June 1, 1940 (000's) |
| New England | 151 | 80 | 79 | 85 | + 6.6 | + 1.9 | $15,048 |
| Electrical goods | 30 | 81 | 82 | 83 | + 9.2 | + 7.2 | 1,812 |
| Groceries and foods, except farm products | 20 | 84 | 81 | 89 | − 6.0 | + 7.2 | 1,912 |
| Meats and meat products | 7 | 154 | 161 | 191 | +13.8 | − 1.2 | 1,444 |
| Industrial supplies | 15 | 67 | 65 | 68 | +19.0 | + 4.0 | 733 |
| Tobacco and its products | 12 | 134 | 124 | 128 | + 7.1 | + 1.7 | 1,245 |
| Middle Atlantic | 573 | 79 | 84 | 82 | + 9.8 | + 2.5 | 55,931 |
| Automotive supplies | 26 | 55 | 55 | 56 | +11.3 | + 2.6 | 1,002 |
| Clothing and furnishings, except shoes | 17 | 47 | 49 | 45 | + 8.3 | − 7.6 | 2,865 |
| Shoes and other footwear | 10 | 43 | 45 | 42 | − 0.7 | − 3.7 | 1,902 |
| Drugs (without liquor department) | 14 | 59 | 61 | 61 | + 4.8 | + 1.4 | 2,940 |
| Dry goods | 40 | 50 | 56 | 56 | + 3.3 | − 1.0 | 4,016 |
| Electrical goods | 69 | 87 | 88 | 91 | +21.8 | +12.6 | 6,008 |
| Fresh fruits and vegetables | 13 | 249 | 217 | 289 | − 9.3 | +18.4 | 244 |
| Furniture and house furnishings | 18 | 45 | 47 | 49 | +10.5 | + 0.7 | 1,981 |
| Groceries and foods, except farm products | 76 | 95 | 107 | 95 | +12.9 | − 5.0 | 5,953 |
| Meats and meat products | 20 | 167 | 168 | 175 | + 6.1 | + 2.3 | 3,061 |
| General hardware | 26 | 49 | 51 | 49 | + 7.8 | + 3.4 | 3,700 |
| Heavy hardware | 11 | 84 | 80 | 86 | +12.0 | − 2.8 | 1,067 |
| Industrial supplies | 35 | 76 | 72 | 76 | +18.9 | + 1.6 | 2,009 |
| Plumbing and heating supplies | 47 | 52 | 53 | 51 | +10.1 | + 6.8 | 2,453 |
| Jewelry | 10 | 24 | 49 | 25 | + 7.9 | + 1.6 | 571 |
| Optical goods | 8 | 67 | 62 | 62 | + 6.8 | − 2.5 | 79 |
| Lumber and building materials | 11 | 70 | 65 | 67 | +11.0 | + 9.7 | 1,621 |
| Paper and its products | 27 | 55 | 54 | 56 | +10.3 | + 2.9 | 3,895 |
| Tobacco and its products | 36 | 136 | 138 | 143 | + 2.5 | + 6.0 | 3,705 |
| East North Central | 487 | 76 | 78 | 77 | + 7.0 | + 0.3 | 45,565 |
| Automotive supplies | 45 | 72 | 69 | 71 | + 3.7 | + 0.4 | 732 |
| Paints and varnishes | 11 | 46 | 44 | 50 | − 4.0 | − 4.0 | 676 |
| Clothing and furnishings, except shoes | 8 | 52 | 56 | 54 | − 9.0 | + 4.1 | 354 |
| Drugs (without liquor department) | 14 | 70 | 75 | 73 | + 6.4 | − 1.3 | 1,873 |
| Dry goods | 13 | 45 | 46 | 46 | + 4.0 | − 0.5 | 1,578 |
| Electrical goods | 59 | 70 | 74 | 71 | +15.8 | + 3.0 | 7,018 |
| Groceries and foods, except farm products | 89 | 108 | 105 | 102 | − 2.2 | − 4.7 | 7,356 |
| Meats and meat products | 22 | 158 | 185 | 177 | +15.2 | + 2.2 | 1,745 |
| General hardware | 21 | 59 | 62 | 59 | + 9.8 | + 0.4 | 8,245 |
| Industrial supplies | 31 | 78 | 63 | 79 | + 2.0 | − 2.8 | 2,255 |
| Plumbing and heating supplies | 18 | 66 | 60 | 64 | + 6.3 | + 4.0 | 1,017 |
| Jewelry | 12 | 20 | 25 | 21 | +20.4 | + 7.8 | 2,477 |
| Lumber and building materials | 9 | 68 | 72 | 65 | + 2.3 | +14.0 | 750 |
| Machinery, equipment and supplies, except electrical | 12 | 70 | 64 | 74 | + 6.8 | − 4.3 | 472 |
| Surgical equipment and supplies | 8 | 57 | 48 | 54 | + 3.5 | + 1.1 | 569 |
| Metals | 10 | 81 | 80 | 79 | + 1.9 | − 2.6 | 1,062 |
| Paper and its products | 21 | 77 | 72 | 76 | + 2.5 | − 3.7 | 1,666 |
| Tobacco and its products | 29 | 118 | 120 | 122 | +11.8 | + 5.4 | 1,882 |
| West North Central | 272 | 75 | 80 | 76 | + 8.1 | − 3.6 | 35,953 |
| Automotive supplies | 12 | 59 | 58 | 60 | + 9.4 | + 1.6 | 442 |
| Drugs (without liquor department) | 9 | 81 | 82 | 83 | − 4.2 | − 2.2 | 969 |
| Dry goods | 9 | 42 | 47 | 45 | + 5.4 | − 5.1 | 6,421 |
| Electrical goods | 32 | 76 | 74 | 76 | +13.1 | + 0.8 | 2,501 |
| Fresh fruits and vegetables | 9 | 186 | 207 | 205 | +11.2 | 0.0 | 219 |
| Furniture and house furnishings | 10 | 57 | 63 | 57 | +18.4 | + 5.8 | 2,415 |
| Groceries and foods, except farm products | 69 | 117 | 133 | 117 | + 2.4 | − 1.7 | 4,249 |
| General hardware | 10 | 64 | 65 | 63 | + 4.7 | + 0.4 | 2,223 |
| Industrial supplies | 15 | 55 | 58 | 58 | + 9.1 | + 2.4 | 683 |
| Plumbing and heating supplies | 10 | 59 | 63 | 58 | + 9.3 | + 9.6 | 786 |
| Machinery, equipment and asupplies, except electrical | 7 | 59 | 60 | 60 | + 0.5 | + 3.7 | 645 |
| Paper and its products | 8 | 67 | 70 | 69 | +11.3 | − 6.3 | 267 |
| South Atlantic | 269 | 66 | 69 | 69 | +11.4 | + 1.0 | 19,614 |
| Automotive supplies | 13 | 54 | 53 | 59 | + 5.7 | − 9.6 | 516 |
| Drugs (without liquor department) | 11 | 81 | 83 | 86 | + 9.9 | − 2.8 | 981 |
| Dry goods | 9 | 42 | 41 | 42 | + 9.1 | − 1.8 | 1,516 |
| Electrical goods | 44 | 67 | 74 | 69 | +19.1 | + 4.2 | 4.358 |
| Fresh fruits and vegetables | 10 | 110 | 115 | 116 | + 6.7 | +11.1 | 271 |
| Groceries and foods, except farm products | 65 | 93 | 95 | 101 | + 7.3 | + 2.9 | 3,124 |
| Meats and meat products | 10 | 139 | 138 | 152 | + 2.0 | + 2.8 | 408 |
| General hardware | 25 | 43 | 48 | 46 | +12.9 | + 0.8 | 3,224 |
| Industrial supplies | 12 | 70 | 62 | 63 | +11.0 | − 1.7 | 708 |
| Plumbing and heating supplies | 19 | 60 | 59 | 59 | + 3.7 | + 3.2 | 1,248 |
| Paper and its products | 9 | 60 | 59 | 66 | + 6.5 | + 5.7 | 576 |
| East South Central | 123 | 62 | 63 | 63 | + 8.7 | − 0.9 | 11,356 |
| Drugs (without liquor department) | 7 | 63 | 66 | 65 | + 9.3 | − 1.0 | 1,014 |
| Dry goods | 14 | 35 | 38 | 40 | + 3.4 | − 5.2 | 1,800 |
| Electrical goods | 8 | 77 | 86 | 82 | +31.9 | − 1.3 | 753 |
| Groceries and foods, except farm products | 33 | 84 | 84 | 85 | + 9.3 | − 1.7 | 1,979 |
| General hardware | 12 | 51 | 54 | 54 | + 8.2 | + 1.1 | 2,985 |
| Industrial supplies | 11 | 66 | 56 | 63 | +21.1 | + 1.2 | 597 |
| West South Central | 222 | 73 | 76 | 78 | + 6.1 | + 0.3 | 17.612 |
| Automotive supplies | 6 | 58 | 65 | 61 | + 2.5 | + 3.3 | 125 |
| Drugs (with liquor department) | 10 | 67 | 69 | 77 | + 5.1 | − 0.4 | 1,920 |
| Dry goods | 6 | 37 | 42 | 40 | + 6.9 | − 2.2 | 1,590 |
| Electrical goods | 30 | 82 | 88 | 90 | +14.5 | + 2.1 | 1,997 |
| Groceries and foods, except farm products | 106 | 95 | 101 | 100 | + 3.8 | − 2.4 | 5,116 |
| General hardware | 16 | 61 | 65 | 62 | + 5.2 | − 1.2 | 2,356 |
| Industrial supplies | 6 | 75 | 73 | 87 | + 3.9 | + 9.9 | 1,331 |
| Machinery, equipment & supplies, except electrical | 7 | 34 | 30 | 30 | +12.1 | + 6.3 | 1,211 |
| Tobacco and its products | 6 | 96 | 91 | 90 | + 4.4 | − 6.2 | 167 |
| Mountain | 106 | 79 | 81 | 80 | + 5.8 | + 3.1 | 7,288 |
| Automotive supplies | 10 | 54 | 50 | 56 | − 3.1 | + 2.2 | 186 |
| Electrical goods | 12 | 73 | 85 | 77 | +11.0 | + 4.0 | 921 |
| Groceries and foods, except farm products | 32 | 95 | 100 | 96 | − 1.1 | + 3.8 | 1,837 |
| General hardware | 6 | 51 | 53 | 50 | + 9.4 | + 4.2 | 1,044 |
| Pacific | 275 | 74 | 77 | 77 | + 7.3 | + 1.6 | 26,662 |
| Automotive supplies | 37 | 66 | 63 | 65 | + 1.9 | 0.0 | 605 |
| Shoes and other footwear | 6 | 44 | 41 | 42 | − 0.4 | − 5.1 | 242 |
| Dry goods | 13 | 55 | 61 | 56 | + 4.2 | − 2.2 | 1,354 |
| Electrical goods | 23 | 75 | 75 | 77 | +21.1 | + 8.9 | 3,171 |
| Fresh fruits and vegetables | 8 | 118 | 107 | 105 | + 1.7 | − 1.6 | 307 |
| Furniture and house furnishings | 10 | 44 | 47 | 43 | + 4.4 | − 3.0 | 1,502 |
| Groceries and foods, except farm products | 36 | 102 | 110 | 109 | + 3.3 | + 2.4 | 5,122 |
| Meats and meat products | 8 | 171 | 160 | 183 | − 5.6 | + 3.0 | 624 |
| Wines and spirituous liquors | 8 | 81 | 90 | 83 | +27.3 | + 8.2 | 1,189 |
| General hardware | 17 | 56 | 54 | 57 | + 3.1 | − 0.8 | 5,726 |
| Industrial supplies | 14 | 64 | 62 | 59 | +20.0 | + 0.3 | 673 |
| Plumbing and heating supplies | 13 | 71 | 69 | 70· | + 6.5 | + 4.3 | 1,021 |
| Lumber and building materials | 12 | 62 | 61 | 66 | + 4.7 | + 1.3 | 604 |
| Machinery, equipment and supplies, except electrical | 9 | 47 | 45 | 53 | +14.4 | + 1.2 | 325 |
| Tobacco and its products | 14 | 97 | 104 | 101 | + 7.5 | + 1.0 | 1,003 |

*Collection percentages are obtained by dividing collections by accounts receivable for an identical group of firms.

STATES COMPRISING DIVISIONS: New England—(Conn., Me., Mass., N. H., R. I., Vt.); Middle Atlantic—(N. J., N. Y., Pa.); East North Central—(Ill., Ind., Mich., Ohio, Wisc.); West North Central—(Iowa, Kans., Minn., Mo., Nebr., N. Dak., S. Dak.); South Atlantic—(Del., D. C., Fla., Ga., Md., N. Car., S. Car., Va., W. Va.); East South Central—(Ala., Ky., Miss., Tenn.); West South Central—(Ark., La., Okla., Texas); Mountain—(Ariz., Colo., Idaho, Mont., Nev., N. Mex., Utah, Wyo.); Pacific—(Cal., Ore., Wash.).